

AUDIT COMMITTEE AGENDA



Thursday, 18 December 2008

at 10.00 am

in Committee Room B

AUDIT COMMITTEE:

Councillors Hall, McKenna, Plant, Preece, Richardson, Turner and Wallace

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 30 September 2008

4. ITEMS FOR DISCUSSION/DECISION

- 4.1 Audit Commission Report- Progress Report - *Chief Financial Officer*
- 4.2 Internal Audit Plan 2008/09 Update - *Head of Audit and Governance*
- 4.3 Internal Audit Plan 2009/10 – *Head of Audit and Governance*
- 4.4 Internal Audit Charter – *Head of Audit and Governance*
- 4.5 Internal Audit Strategy – *Head of Audit and Governance*

5. ANY OTHER ITEMS WHICH THE CHAIR CONSIDERS ARE URGENT

AUDIT COMMITTEE

MINUTES AND DECISION RECORD

30 September 2008

The meeting commenced at 10.00 a.m. in the Civic Centre, Hartlepool

Present:

Councillor Arthur Preece (In the Chair)

Councillors Gerald Hall, Mike Turner, Stephen Wallace

Officers: Mike Ward, Chief Financial Officer
Noel Adamson, Head of Audit and Governance
Chris Little, Assistant Chief Financial Officer (Corporate Finance)
John Hepworth, Group Accountant
Sarah Bird, Democratic Services Officer

Also present: Diane Harold, Audit Commission
Lynne Snowball, Audit Commission

15. Apologies for Absence

Apologies for absence were received from Councillors Michelle Plant and Carl Richardson.

16. Declarations of interest by members

None.

17. Confirmation of the minutes of the meeting held on 10 July 2008

The minutes were confirmed as an accurate record.

18. Internal Audit Plan 2008/09 – *Head of Audit and Governance*

Purpose of Report

The report was presented in order to inform Members of the progress made to date in completing the internal audit plan for 2008/09.

Issues for Consideration

The Head of Audit and Governance referred to Appendix A of the report which had been previously circulated to Members and this detailed the pieces of work already completed. He said that Appendix B detailed work that was in progress at the time of writing the report. He outlined how the finance section was currently co-ordinating the requirement for the Council to provide data to the Audit Commission in relation to the National Fraud Initiative for 2008/09. This involved data matching information across a range of areas and investigating any identified anomalies. It was expected that the matches would be ready by January. It was also hoped that as many schools as possible would have their financial and governance arrangements in line with best practice.

He stated that the work completed and ongoing was in line with expectations at this time of year and an Audit Technician was being recruited in order to facilitate this.

Decision

Members noted the report.

19. Approval of 2007/2008 Statement of Accounts – *Chief Financial Officer***Purpose of Report**

The report was presented in order to present the Audit Commission's Annual Governance Report and to enable Members to approve the final 2007/2008 Statement of Accounts.

Issues for Consideration

The Audit Commission representative, Lynne Snowball outlined details contained in the Annual Governance Report which had been previously circulated to Members.

This reminded Members that the Authority's financial statements and Annual Governance Statement were important means by which the Authority accounts for its stewardship of public funds. The Governance Statement outlined that the Authority's value for money conclusion on all twelve criteria were adequate.

One anomaly which the Audit Commission wished to highlight related to the Local Authority Business Growth Incentive Scheme (LABGI) Grant which had been awarded in March 2008 but had not been received until June 2008. The Authority had followed its usual practice of including this with the accounts for the year it had been received and not when it had been notified.

Another issue highlighted was the Cash flow statement as the Authority had adopted the indirect method for the presentation of the cash flow statement which had not been specified in the 'Code of Practice on Local Authority Accounting in the United Kingdom for 2007/08 although the option to do so was available for 2008/09.

A detailed outturn report had been produced in August after the approval of the financial statements. This should have ideally been presented to members prior to the approval of the statutory financial statements and this would be rectified in the future.

A number of adjusted misstatements had been raised. These related to Government Grants Deferred where £63.4 million of grants had been derecognised as they were not matched with assets being depreciated as required; a New Deal for Communities grant which could now be earmarked for revenue rather than capital expenditure and a bank reconciliation end of year error. A further error relating to an investment removed from the Cleveland Fire Authority (CFA) account rather than the Local Authority account had been highlighted and it was noted that corrective action had been taken to ensure that there had been no financial impact on either account. The Audit Commission were satisfied that sufficient controls were in place to preclude its recurrence.

A draft report on Independence was tabled at the meeting which noted that one relationship had been highlighted as a member of the audit team had a close family member working in a non-senior and non-financial position within a school run by Hartlepool Borough Council. The Audit Commission were satisfied that there had been no compromise on independence and objectivity as sufficient safeguards had been put in place.

A Member stated that processes and procedures appeared robust but there had been a few errors and asked whether this was usual. The representative of the Audit Commission stated that the Local Authority was keen to reduce errors and that there should be a significant improvement next year as it had been responsive to the Audit Commission queries.

The Chief Financial Officer then commented on the issues previously mentioned which had been highlighted in the Governance report and confirmed that controls had been put in place to ensure that these did not recur.

A Member referred to the bank reconciliation relating to creditors and asked whether anything had arisen in relation to debtors and was informed that nothing had. The Member also highlighted that that in the 85 page statement of accounts most people would be drawn to the deficit of £1.7m in the General Fund expenditure although the Audit Commission representative, Diane Harold said that this was the nature of accounts and drew attention to the General Fund Balance.

A Member asked whether there was any risk assessment done regarding

investment and was informed that cash had been invested in accordance with the Council Treasury Management Strategy mainly in UK banks and building societies. Action had been taken recently to transfer lending from some institutions because of worries about the continuing 'credit crunch'. Rates of interest were lower but safety of public funds was paramount.

The representative of the Audit Commission, Diane Harold thanked the Finance Officers for their support and patience.

Decision

Members noted the Annual Governance Report and approved the Final 2007/2008 Statement of Accounts which incorporated the changes agreed with the Auditor. Members also instructed the Chief Financial Officer to implement the actions recommended in the Annual Governance Report.

The Chair thanked the representatives of the Finance Department and Audit Commission for their considerable effort, working to tight deadlines.

The meeting concluded at 10.40 am.

APREECE
CHAIRMAN

AUDIT COMMITTEE

18 December 2008



Report of: Chief Financial Officer

Subject: AUDIT COMMISSION REPORT- PROGRESS
REPORT

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 content the Audit Commissions Progress Report.

2. BACKGROUND

- 2.1 This report sets out the progress against the audit plan for Hartlepool Borough Council for 2007/08, 2008/09 and 2009/10. It covers reports and key messages on recent work as well as reference to Audit Commission national publications and the continued development of the Comprehensive Area Assessment.

3. FINDINGS OF THE AUDIT COMMISSION

- 3.1 Details of key messages from work carried out as part of the 2007/08 audit plan in relation to Effective Financial Management - Review of the Medium Term Financial Strategy, Data Quality and Use of Resources are included. Attached as Appendix 1 is a copy of the Audit Commission report on Effective Financial Management.

4. RECOMMENDATIONS

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

Progress Report

Hartlepool Borough Council
December 2008

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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 This report to the Audit Committee sets out the progress against the audit plan for Hartlepool Borough Council (the Council) for 2007/08, 2008/09 and 2009/10. It covers reports and key messages on recent work as well as reference to Audit Commission national publications and the continued development of the Comprehensive Area Assessment.

2007/08 Audit

- 2 We last reported to the Audit Committee in September 2008 via our Annual Governance Report, issuing an unqualified opinion on the financial statements and an unqualified Value for Money conclusion. Detailed below are key messages from work carried out as part of the 2007/08 audit plan.

Effective Financial Management - Review of the Medium Term Financial Strategy

- 3 The Medium Term Financial Strategy (MTFS) was reviewed as part of the 2007/08 audit and inspection plan.
- 4 The purpose of the review was to follow up findings from the last Corporate Assessment which had highlighted that the Council did not have a formal approach to medium term financial planning. It was noted that whilst the council has a good framework for performance management, it could improve its financial and performance planning by developing and adopting a formal medium term financial strategy, clearly linked to Council objectives and funding streams and to its role in delivering the Community Strategy.
- 5 The review compared the Council's current MTFS against best practice and highlighted areas for improvement. In many instances it is a matter of presentation and the Council's financial policies and statements being included and summarised in one document. Currently many of the Council's policies are contained in a myriad of documents or reports. As a result members and interested stakeholders have to look in a number of areas to fully establish and understand how the Council manages its financial position in the short, medium and long term. Areas for improvement include:
- linking the MTFS more clearly with Council priorities and other plans; and
 - ensuring the MTFS describes, in financial terms joint plans with partners and stakeholders.
- 6 The full report (attached) has been discussed and agreed with the Council and we understand that recommendations will be progressed as part of the next round of financial planning.

Data quality

- 7 Each year we review the Council's arrangements for ensuring there are adequate arrangements in place to monitor the quality of its published performance information, and to report the results to members. We carry this out via a three-step approach:
- review of management arrangements for data quality;
 - analytical review and;
 - spot checks of selected indicators.

- 8 Sample testing of five performance indicators found errors in three out of five indicators tested, highlighting room for improvement in data quality. In response to the initial findings, the Council is carrying out training from December 2008 for key officers involved in the compilation of performance indicators.
- 9 We will carry out further work to assess data quality arrangements over the next year to gain adequate assurance over arrangements and liaising with Internal Audit.
- 10 A detailed report will be issued shortly to the Council.

Use of Resources

- 11 Our annual assessment Use of Resources assessment is now complete. Draft scores have been discussed with the Council. There is no change to the overall Use of Resources score of three.
- 12 There have been changes in some of the scores, in particular for Financial Reporting: a drop from a score of three to one (with four being highest) due to errors in the financial statements. However an increase from two to three for the other Financial Reporting sub-theme of Promoting External Accountability resulted in no change in the overall Financial Reporting score of two. We are working with the Council to ensure that arrangements are improved for next year.
- 13 The table overleaf sets out the draft scores which will be shortly formally notified to the Council. A more detailed report will be issued shortly.

Table 1 Use of Resources 2008 draft scores

Subject to final notification to the Council

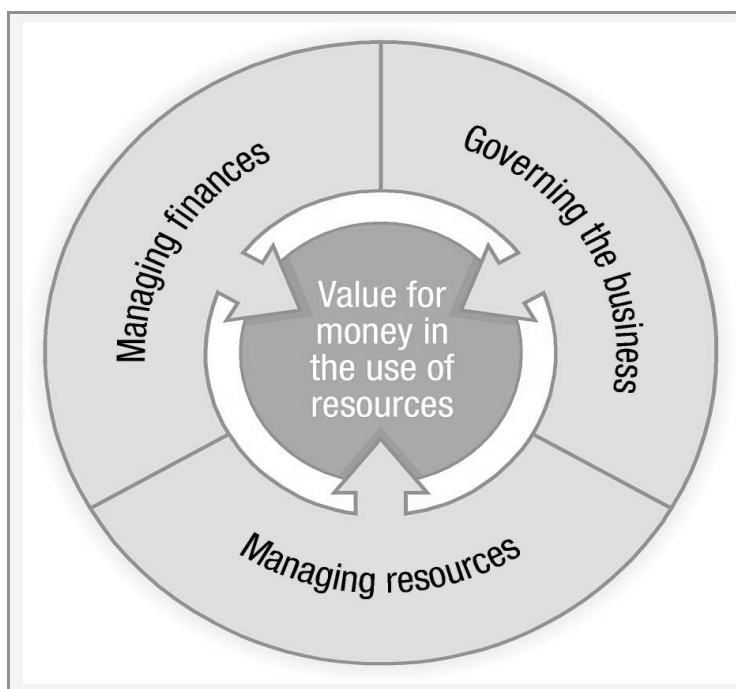
Key lines of enquiry (KLOEs)	Score 2008	Score 2007	Score 2006
Financial reporting	2	3	3
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	1	3	3
1.2 The Council promotes external accountability.	3	2	2
Financial management	2	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
2.2 The Council manages performance against budgets.	2	2	2
2.3 The Council manages its asset base.	2	2	2
Financial standing	3	3	3
3.1 The Council manages its spending within the available resources.	3	3	3
Internal control	3	3	2
4.1 The Council manages its significant business risks.	3	3	2
4.2 The Council has arrangements in place to maintain a sound system of internal control.	3	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	3
Value for money	3	3	3
5.1 The Council currently achieves good value for money.	3	3	3
5.2 The Council manages and improves value for money.	3	3	3
Overall	3	3	3

New Use of Resources assessment in 2009

- 14 Looking ahead, the guidance for the new Use of Resources assessments in 2009 was published at the end of October 2008 and is available to all authorities on our external website. This new assessment will feed into the first Comprehensive Area Assessment next autumn.

- 15 The assessment is broader than before and embraces wider resource issues such as people and workforce planning as well as the use of natural resources. The key lines of enquiry as set out in Figure 1 below focus more on value for money achievements, outputs and outcomes rather than on processes.
- 16 The importance of good governance underpinning good performance and having an effective embedded governance framework will also be highlighted by the new assessment.

Figure 1 Use of Resources framework 2008/09



2008/09 and 2009/10 Audits

2008/09 audit

- 17 Current work includes a review of the key information systems and we will place reliance on Internal Audit wherever possible. Other risk-based work highlighted in the 2008/09 Audit and Inspection plan is being progressed including:
- review of the impact of revising the social care eligibility criteria;
 - improving data quality and use of information;
 - management of major capital schemes; and
 - review of arrangements in place for the Building Schools for the Future programme.

Review of draft strategy for working with the Voluntary Sector

- 18 As part of the agreed 2008/09 audit and inspection plan, we reviewed the development of a strategy for working with the Voluntary Sector and gave informal feedback to the Authority. The objective of the review was to follow-up findings from the 2007 Corporate Assessment, which had noted that the Council could further enhance its capacity to deliver its objectives and further stimulate modernisation of the Council's functions, by developing a strategic approach to working with the voluntary sector.
- 19 A draft Compact for working with the Voluntary sector has been produced, consulted on and sets out principles for the way in which the Council and the Voluntary Sector will work together. The Strategy is virtually complete; time is being spent to ensure that it is signed up to by all parties. It is now at the second draft stage and we understand that it is due for approval by Cabinet, Hartlepool Partnership and the Primary Care Trust Board in early 2009.

Review of the Council's website

- 20 We carried out an informal review of the Council's external website earlier this year, comparing it to best practice and other local authority websites. This review identified some existing good practice and highlighted areas for improvement including:
- scope to make it more focused for particular target audiences and more interactive;
 - further scope to increase the range of things which can be paid for or reported on-line.

2009/10 Audit

- 21 Planning for the 2009/10 audit is being carried out over the next few months and the fee for the 2009/10 audit will be agreed with the Council by the end of April 2008 along with the issue of a fees letter.

Other developments including national publications

- 22** The Audit Commission has published the following reports in the last few weeks that are relevant to the Council. The reports are available from the Audit Commission website at www.audit-commission.gov.uk. Key messages are set out below.

A mine of opportunities : Local authorities and the regeneration of the English coalfields.

- 23** This report presents the findings from research undertaken by the Audit Commission into a review of ten years of physical, social and economic regeneration in the areas afflicted by pit closures. The report finds that England's coalfields are a success story of renewal and growth, and that local authorities deserve much of the credit. It suggests the coalfields experience offers lessons to local authorities in other parts of the country as unemployment grows and companies lay off staff.
- 24** However, our report says that the job of regenerating former coalfields is not complete, despite all that has been achieved. They remain among the most deprived districts in England. National support for regeneration in the coalfields is still needed, particularly in addressing health, education and skills and other barriers to full participation by local people in the labour market.

Are we there yet? Improving governance and resource management in Children's Trusts.

- 25** This report examines the progress local councils and their partners are making in developing children's trusts. The report concludes that the 'children's trusts' created by the government after the death of Victoria Climbié have been confused and confusing. Five years after the green paper Every Child Matters and eight years after the child's death, 'there is little evidence of better outcomes for children and young people' resulting from the requirement that local areas in England set up arrangements to coordinate children's services. A third of directors of children's services say that their partner organisations are 'unclear' of the purpose of children's trusts, and the uncertainty is hampering their efforts to deliver better services.
- 26** However the study did find that progress has been made in bringing professionals together, but sometimes by navigating around the 'centrally-directed approach'. Local agreements worked better than external direction.

Comprehensive Area Assessment

- 27** The latest consultation on the new Comprehensive Area Assessment (CAA) ended in October 2008 and the final framework is due to be issued early in 2009.

- 28** CAA represents a fundamental change in the approach of the public service inspectorates, reflecting the progress made by local public services in recent years and the changing environment in which they work. The new CAA will have two main elements, which will feed each other:
- an area assessment that looks at how well local public services are delivering better results for local people in local priorities such as health, economic prospects and community safety and how likely they are to improve in the future; and
 - organisational assessments of individual public bodies. For councils and fire and rescue authorities, these will combine use of resources and managing performance themes into a combined assessment of organisational effectiveness. For fire and rescue authorities the managing performance theme will incorporate operational assessments of service delivery. For primary care trusts and police authorities, they will include use of resources assessments linked to the separate performance frameworks for the National Health Service and police authorities respectively.
- 29** Further information is available from our external website. A prototype web-based reporting tool has also been produced.

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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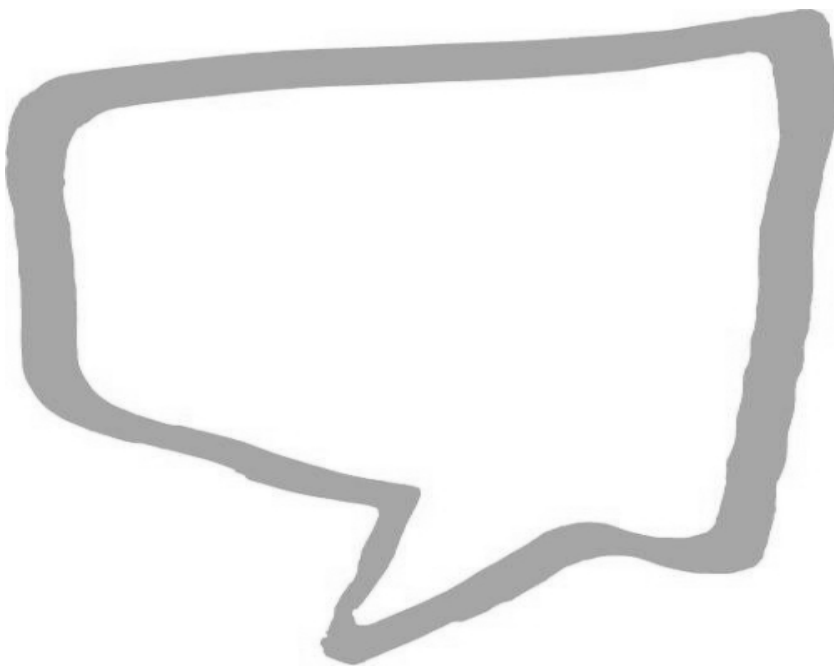
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Effective Financial Management

Hartlepool Borough Council

Audit 2007/08

October 2008



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Status of our reports

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Summary report

Introduction

- 1 Financial management is a key element of an organisation's overall management arrangements. Strong financial management is essential to the efficient use of resources and is a pre-requisite of successful service delivery. The constraints placed upon local authorities require them to have effective methods to prioritise and monitor their finances.
- 2 Good practice financial management establishes a set of financial policies and principles which provide a sound basis for maintaining the financial integrity of an organisation over the medium term. A robust medium term financial strategy (MTFS) supported by a detailed medium term financial plan (MFTP) should form a key part of these arrangements.
- 3 Effective integrated financial planning allows more time for consideration of policy options to address funding gaps. This entails having information based on robust analysis to inform decision making; being forward looking to ensure longer-term sustainability of services and good communication of financial plans across the organisation.

Background

- 4 The 2007 Corporate Assessment highlighted that the Council does not have a formal approach to medium term financial planning. While it has a very good framework for performance management, the Council could improve its financial and performance planning by developing and adopting a formal medium term financial strategy, clearly linked to Council objectives and funding streams and to its role in delivering the Community Strategy.
- 5 The report went on to say, 'Operational financial management is prudent and effective and the Council provides good value for money. Since 1998/99 careful financial management and robust budget monitoring have enabled the Council to increase its reserves, which now stand at £31 million. The annual budget process supports significant growth in priority areas from these reserves while making cuts in areas no longer considered by departments to be priorities; the current allocation from reserves to revenue budgets is £7.2 million over four years. Financial capacity is greatly enhanced by the Council's ability to attract significant external funding, which is well managed. Financial capacity for the delivery of the Council's objectives is good'.

- 6 The Council, like many other authorities elsewhere, works in an environment where resources are under continued and increasing pressure whilst at the same time improvements in services and in the community are being planned and delivered. Having effective financial management arrangements is critical to enabling authorities to deliver their plans for improvement. Effective financial management should ensure sustainable finances to support current and future delivery plans and support decision making around priorities for delivery.
- 7 Authorities have ambitious plans for improving their performance but there is uncertainty over funding, which results in a financial position which is challenging. At the same time there is political pressure to keep levels of Council tax low. This places significant pressure on authorities' finances to balance the budget, including using reserves and balances. This can lead to an erosion of balances which is not sustainable in the longer term without appropriate controls in place, underpinned by an effective MTFS.
- 8 Financial pressure has required authorities to take difficult decisions when setting budgets. The use of effective planning over the medium term allows forecasts of future constraints and commitments to be assessed and action taken in a planned way, thereby reducing the need for large scale budget reductions across the board.

Scope and objectives

- 9 The overall objective of our review is to provide Hartlepool Borough Council access to what is considered best practice in this field through comparison of their current medium term financial planning against what is considered notable practice. We will report on any weaknesses and offer recommendations for improvement. This will enable Hartlepool Borough Council to develop a MTFS that better meets the need of world class financial management and the requirements of the Use of Resources (UoR) Key Lines of Enquiry.

Audit approach

- 10 The review has considered the Council's current MTFS and compared it to what best practice considers should be contained in an exceptionally good MTFS.
- 11 The review has identified where improvements could be made to the MTFS planning process to ensure that the outcome better meets the needs of the UoR Key lines of Enquiry for 2009.

Summary Findings and conclusions

- 12 The sections below provide a summary of the findings and appropriate recommendations for improvement. In many instances it is a matter of presentation and the Council's financial policies and statements being included and summarised in one document. Many of the Council's policies are contained in a myriad of documents or reports. As a result members and interested stakeholders have to research in a number of areas to fully establish and understand how the Council manages its financial position in the short, medium and long term. The purpose of a good MTFS is to clearly set out in one document how the Council will achieve this.
- 13 The summary table below shows the areas (eg links to organisational strategy) and a high level overview of whether the Council has fully met, partly met or not met the best practice areas along with a brief reference to the main areas for improvement.
- 14 This work will feed into our later Use of Resources report (and the Financial Management theme). Note that we gave an unqualified VfM conclusion in September; the criteria for which include having a financial strategy in place to deliver strategic priorities.

Table 1 Summary findings from review of the MTFS

Area of best practice	Total criteria	Fully met	Partly met	Not met	Main areas for improvement
Organisational strategy	7	2	4	1	Consider presentation of financial policies in one comprehensive document. Better alignment of MTFS with Council priorities as is being planned from 2008/09. Ensure there is reference to internal policies such as HR, income charging and fees where they have a potential major impact on future resources. Demonstrate Member discussion of the level of income from fees and charges.
Budgeting	10	6	4	3	Include more explicit examples of scenario planning. Include statement on option appraisal approaches along with examples. Set out clear responsibilities for service delivery within approved budgets, budget reductions and any service cuts along with formal Director acknowledgements.
Financial Reporting	4	2	1	1	Clarify role of income within budgets and how it contributes to balancing of budget. Set out approach to scenario modelling and examples of where used.

Area of best practice	Total criteria	Fully met	Partly met	Not met	Main areas for improvement
Financial Management	3	1	1	1	Include clear statement on policy for under/overspending, including calls on reserves and contingencies. Include examples of where performance and comparative data used to inform efficiency gains and budget realignment.
Engagement with stakeholders	4	3	0	1	Ensure MTFS describes, in financial terms, joint plans with partners and stakeholders.
Monitoring and control	2	1	0	1	Explicitly state how progress against plans, including income targets will be measured.

- 15 The detailed findings are attached as Appendix 1 and have been discussed with the Asst Chief Executive, the Chief Financial Officer and the Asst Chief Financial Officer. Their comments have been considered and included where appropriate. The shadings in Appendix 1 indicate what the Audit Commission would expect to see in a MTFS.
- White - would expect to see this feature included in all cases.
 - Yellow - would expect to see this feature in a good MTFS.
 - Green - would expect to see this feature in an exceptionally good MTFS.

Links to organisational strategy

- 16 There are seven areas of considered best practice in the section and the current MTFS is assessed as fully meeting best practice in two of the seven areas, partly meets expectations in four areas and does not meet what is considered best practice in one area.
- 17 As commented on in paragraph 13 some of the issues are around presentation in that it is hard to find the best practice requirements and therefore make the specific links to key strategic objectives. The MTFS as it is currently produced focuses on departmental budgets and does not link to national and local priorities so it is difficult to see the link between priorities and resourcing those priorities. The Council acknowledge this and have changed their approach for the 2008/09 budget process.
- 18 There is clear identification of future developments and their potential financial implications which show how the Council will manage them. There is also clear reflection of the Council's policy on Council tax levels.
- 19 Links to other internal strategies and plans is mixed in that there are clear links to the risk management strategy and asset management plans but limited links to HR plans other than assumptions that job evaluation and single status will have implications for the Council's finances. Given 75 per cent of the Council's budget is spent on staffing it is important that the MTFS reflects any HR plans that are likely to have any impact on the Council's resources.

- 20 There is little reference in the MTFS to the Council's income and charging policies other than the assumption that they will be at least increased by inflation. There is no commentary or evidence that members are given the opportunity to debate on how the Council will use fees and charging policies to help deliver priorities.
- 21 Links to business and service planning is weak. There is very little reference to finances contained in any of the service plans.

Recommendations	
R1	The Council should consider presenting their financial policies in one comprehensive document which should include short outlines of what the key policies are and how the Council intends to manage its finances to meet its priorities over the short, medium and long term.
R2	The Council should continue with its intention to produce the information from 2008/09 so that is better aligned with the Council's priorities and not departmental budget.
R3	The Council should ensure that in future reference to all internal policies is included especially where they have potential to have a major impact on future resources; eg policies such as HR, income charging and fees.
R4	The Council needs to be able to demonstrate that as part of its process, income from fees and charges is fully discussed by members so that they can ensure that the levels set are in line with what they are trying to achieve. The MTFS should give greater clarity on the role income plays within budgets and how it contributes to the balancing of the budget overall.

Budgeting

- 22 There are ten areas of considered best practice in the section and the current MTFS is assessed as fully meeting best practice in six of the ten and partly meeting expectations in the remaining four areas.
- 23 The MTFS integrates and reflects policy on capital investment and affordability and links to an up to date capital strategy and programme. It also reflects the revenue implications of the capital programme at the same time as reflecting financial risk assessments and contingencies.
- 24 The MTFS assertions on levels of reserves and balances reflects these risk assertions integrating capital, revenue and treasury management planning.
- 25 Evidence of scenario planning is limited within the MTFS although there are some examples of it being undertaken as part of budget process and contained in spreadsheets supporting the MTFS.
- 26 Evidence of option appraisal allowing members to consider alternative course of action is limited within the MTFS. The Council point to the use of the Budget Support Fund as evidence of strategic decision-making based on alternatives; whilst this is true this action/strategy is not explicitly set out in the MTFS.

- 27 The MTFS does not formally allocate responsibility for budget reductions or service cuts to named individuals or provide formal acknowledgements by managers of their responsibility to deliver services to the required standard within budget and to implement any savings and investments allocated to their area. These are referred to in other documents such as the constitution or budget and policy procedure rules but not explicitly in the MTFS.

Recommendations	
R5	There should be more explicit examples of scenario planning contained within the MTFS and a clear statement of the Council's approach to this area.
R6	The MTFS needs to include a full statement on how the Council approaches option appraisal of budget alternatives with examples of where this has taken place and budgets have changed accordingly.
R7	Clear responsibilities for service delivery within approved budgets and budget reductions or service cuts should be clearly set out in the MTFS with formal acknowledgements by the relevant Directors of their responsibilities.

Financial Reporting

- 28 There are four areas of considered best practice in the section and the current MTFS is assessed as fully meeting best practice in two, partly meeting expectations in the one of the areas, but not meeting performance expected to be found in a good MTFS on one area.
- 29 The MTFS only partly models income and expenditure over the next three years. This is because in the MTFS, income is netted off expenditure when reported in departmental budgets. This gives the impression that income levels in each budget are not discussed in the budget preparation process. Income details are considered in supporting spreadsheets but not then aggregated to show the total level of income, for example from fees and charges.
- 30 The MTFS does model balances and resources over a three year period and reports that in a way as close as possible to that used for external reporting.
- 31 The MTFS does not model best worst case scenarios; it merely presents one consolidated view based on a range of assumptions. There is no evidence within the MTFS that robust discussions have therefore taken place without going back over months of agendas and minutes of meetings.

Recommendation	
R8	The Council needs to set out clearly its approach to scenario modelling within the MTFS and provide examples of where it has been used and decisions taken as a result.

Financial Management

- 32 There are three areas of considered best practice in the section and the current MTFS is assessed as fully meeting best practice in one, partly meeting expectations in the one but not meeting performance expected to be found in a good MTFS in the other.

Summary report

- 33 There are clear links in the MTFS to the Annual Efficiency Statements and Gershon targets.
- 34 There is no specific reference within the MTFS to the Council's policy on treatment of under/over spending including calls on reserves, contingencies or its protocols on carry forwards. These are contained in other documents such as financial regulations but again not within the primary MTFS resulting in the need to refer to several documents.
- 35 The MTFS does not seek to put high costs into perspective using performance indicators and data, cost profiles and trend analysis of comparative spend to inform the scope of efficiency gains and budget realignment.

Recommendations

- R9** The Council needs to make a clear statement in the MTFS on its policy for treatment of under/over spending including calls on reserves and contingencies.
- R10** Future MTFSs should include examples of where performance and comparative data have been used to inform the scope of efficiency gains and budget realignment.

Engagement with stakeholders

- 36 There are four areas of considered best practice in the section and the current MTFS is assessed as fully meeting best practice in three of those areas but not meeting performance expected to be found in a good MTFS in the other.
- 37 There is clear evidence that members approve the MTFS. Scrutiny members challenge its content, basis and underlying assumptions and the Council communicates key messages to staff and stakeholders.
- 38 The MTFS does not however describe in financial terms joint plans agreed with partners and other stakeholders.

Recommendation

- R11** The Council needs to ensure that joint financial plans with partners and other stakeholders are clearly set out and explained in the MTFS in order to show how they contribute to the overall financing of the Council's priorities and help balance the resources needed to deliver services.

Monitoring and control

- 39 There are two areas of considered best practice in the section and the current MTFS is assessed as fully meeting best practice in one of those areas but not meeting performance expected to be found in a good MTFS in the other.
- 40 There is a clear requirement for the Council to review its MTFS process on a regular basis and this is evidenced by a number of presentations throughout the year.

- 41 The MTFS does not set out how the Council will measure progress against its plan including income targets. The budget policy framework covers this but there is no explicit reference to this in the MTFS where it needs to be.

Recommendation
R12 The Council needs to explicitly state in its MTFS how progress against its plans including income targets will be measured.

Appendix 1 – Detailed findings

Period MTFS covers: 2008/9 -2010/11

	Features	Yes/No/ Partly	Comments/references
	Link to organisational strategy		
1	MTFS links to key strategic objectives taking account of local and national priorities.	Partly	<p>Makes reference to them in the MTFS but difficult to see the explicit link between them and actual resources devoted to each strategic objective. MTFS as presented consists of a series of previously presented reports to Councillors throughout the year and an expectation that they will remember the details set out in those papers some several months previous.</p> <p>The Council acknowledges the statement as correct and recognise that they present the MTFS as a departmental budget and not on the basis of strategic objectives and priorities. The Council point to the budget process being a process of consensus building over a longer period within the context of Hartlepool's political set-up ie independent mayor and the balance of members' political affiliations.</p> <p>They have introduced new processes for the 2009/10 budget setting process which will better align the budget to corporate priorities and it will be much more transparent in being able to demonstrate resources are being sufficiently allocated to priorities.</p>

	Features	Yes/No/ Partly	Comments/references
2	MTFS identifies future developments, their resource implications and shows how the body will manage them - eg plan of resources to enable priority services to develop, including mandatory service changes.	Yes	<p>Spreadsheets identify a range of future developments;</p> <ul style="list-style-type: none"> • identified likely over/underspending; • ongoing service issues; • budget pressures; • contingency items; • terminating grant regimes; • budget priorities; and • proposed efficiencies. <p>Overall the MTFS showed the 2008/09 budget balanced and small deficits in 2009/10 (£0.402m) and 10/11 (£0.237m). The MTFS stated that these deficits will be addressed when the detailed 09/10 budget is prepared; therefore it is possible to link the spreadsheets to a three year plan which sets out how they will be dealt with and how they will be resourced or the impact on future budget levels.</p>

Appendix 1 – Detailed findings

	Features	Yes/No/ Partly	Comments/references
3	MTFS links to other internal strategies and plans as appropriate, such as risk management, performance management and HR. It also integrates the financial implications of asset management plans.	Partly	<p>There are clear links to the risk management strategy and asset management plans and these are built into financial assumptions. The link to HR is through the assumption that there will be a pressure from single status and job evaluation. The resulting ongoing costs have been built into the MTFS and the one-off costs of protection have been provided for. There is little reference to performance management however in the document.</p> <p>Salary turnover targets are set out in the budget monitoring report but not explicitly in the MTFS. All vacancies have to go through an assessment process but again this is not clearly linked to the budgets set out in the MTFS.</p> <p>We expect to see links to the HR Strategy. As staffing often equates to around 75 per cent of a council's expenditure it makes sense that changes to the HR strategy are likely to have an affect on the MTFS. Eg job evaluation or a pay rationalisation process needs to be planned for in terms of the budget. The two strategies should therefore be linked. We are also looking for links to the wider workforce planning.</p> <p>In terms of links to performance management we are looking for links to the performance agenda eg the MTFS highlighting performance indicators which require improvement, in addition to putting the focus on outcomes which are used to measure achievement of Council priorities</p>

	Features	Yes/No/ Partly	Comments/references
4	The MTFS integrates and reflects policies on concessionary pricing and charging. This includes an annual review of fees and charges led by the income generation policy.	Partly	<p>There is no reference to the part fees and charges play in balancing budgets. There is no reference to an annual review of fees and charges and no link is provided to the financial statements. There is no reference to an income generation policy.</p> <p>The MTFS is based on the assumption that, as a minimum, all fees and charges will be increased by the RPI. Departments can apply higher increases to achieve savings targets or to offset departmental pressures not funded corporately through the MTFS.</p> <p>As charging is a direct income stream, any changes outside normal RPI increases might affect the Council's MTFS. Eg over inflation increases might deter users and reduce income or extra concessions as part of an anti-poverty strategy might reduce overall income which needs to be reflected in the MTFS. The strategy should therefore recognise such planned changes or at least say that no such changes are planned to show that proper consideration has been given. This is as a key area for member input as set out in the "POSITIVELY CHARGED" report issued by the commission in January.</p> <p>There should be proper debate over pricing and charging policy to ensure this is in line with Council priorities. Eg better health & use of leisure facilities. The policy can be then built into the income assumptions prior to addressing the budget gap.</p>

Appendix 1 – Detailed findings

	Features	Yes/No/ Partly	Comments/references
5	The MTFS clearly reflects the body's policy on council tax levels.	Yes	<p>The 2007/08 MTFS report included an explicit decision by the Cabinet and the Council to set indicative 08/09 and 09/10 indicative council tax increases at 4.9 per cent.</p> <p>The 2008/09 MTFS report enabled Members to review the above position to reflect the impact of CSR07 and the 3-year grant settlement on the Council's financial position. This enabled Members to consider a range of council tax increases for 2008/09 to 2010/11. Cabinet and the Council then determined indicative 2009/10 and 2010/11 increases of 3.9 per cent.</p>
6	The MTFS is an integral part of the planning and performance framework.	No	There is no evidence of a link to any corporate business plan and there is no clear link to service plans. There is very little reference to finance in service business plans so it is difficult to conclude that the MTFS is an integral part of the planning and performance framework.
7	The MTFS aligns with the service and financial planning timetable. It drives and supports development of three year targets and objectives for all services.	Partly	Although there are annual service and divisional plans there is very little reference to finance in any of the dozen looked at. Action plans which set out service priorities are not costed and there is very little detail, often only the total cost of the service included in the plans. There is no clear link to the series of spreadsheets which make up the MTFS. No clear link with income, grant loss, growth, savings etc. The Council acknowledges this and have changed their processes for 2009/10 budget preparation which will align the plans.

	Features	Yes/No/ Partly	Comments/references
	Budgeting		
8	The MTFS integrates and reflects the policy on capital investment and affordability (prudential indicators).	Yes	There is a clear integrated capital asset management plan which is linked to the MTFS. It clearly outlines the Council's policy as part of the Treasury Management strategy which articulates the prudential borrowing indicators. There is a clear three year programme of capital commitments 2008/09 – 20010/11.
9	The MTFS links to an up to date capital strategy and programme.	Yes	See above.
10	The MTFS integrates and reflects the revenue implications of the capital programme.	Yes	The MTFS sets out in the Treasury Management section a clear calculation of the effect of capital schemes accepted into the three year programme and the revenue implications for council tax. The prudential indicator also sets out the ratio of financing costs to the net revenue stream.
11	The MTFS integrates and reflects financial risk assessments and contingencies. Sensitivity analysis supports and informs the financial risk assessment.	Yes	The MTFS contains a section on the robustness of budget forecasts and a risk assessment including a spreadsheet of identified possible risks which are linked to the Council's overall risk management strategy. It gives assurances that there are no significant financial risks to the proposed 2008/9 budget. There is no evidence of sensitivity analysis being used but robust identification of all possible financial risks has been undertaken and an extensive risk register of possible financial risks exists which enables the Council to manage them.

Appendix 1 – Detailed findings

	Features	Yes/No/ Partly	Comments/references
12	The MTFS's assertions on levels of reserves and balances reflects the body's financial risk evaluation.	Yes	There are clear links to the financial risks and the reserves set-up to address some of them such as equal pay protection reserve or budget support reserve. There is an annual review of reserves as part of the financial risk appraisal. The assumption is that reserves will reduce significantly over next three years as resources are released to support the revenue budget and to meet the costs of job evaluation. It is predicted that they will fall from their current level of £24.565m to about £13.5m at 1 April 2011.
13	The MTFS integrates and reflects capital, revenue and treasury management planning.	Yes	The MTFS is clear on the links between capital and the Treasury Management strategy. Members are asked to approve the three year capital programme and Treasury Management strategy as part of the Budget and policy framework.
14	The MTFS addresses budget gaps and uses scenario planning to highlight the risk areas for financial pressures.	Partly	There is limited evidence that scenario planning is used; the only example in the MTFS was the council tax scenario given over three different levels and the financial impact of each. As part of the risk assessment approach, budget gaps and key high risk areas of financial pressures are identified and the implications set out in relevant spreadsheets.

	Features	Yes/No/ Partly	Comments/references
15	The MTFS defines approved options for addressing the budget gap, including budget re-alignment. effusive	Partly	<p>There is little evidence of option appraisal which allows members to consider alternative courses of action to address. For example there is no commentary on what should be done to reduce the consistent overspending by some departments. In 2007/08 departmental overspends were funded from corporate underspend. Overspend issues arising in 2007/08 were considered as part of 2008/09 budget process and additional funding allocated through the budget process for continuing trends. See the MTFS report to Cabinet 4 February 2008.</p> <p>Use of the Budget Support Fund is a strategic decision covering a number of years, which is enabling the Council to manage its services within available reserves. The rationale of the Budget Support Fund is to enable costs to be reduced on a phased basis to bring them into line with ongoing resource levels. The MTFS for 2008/09 to 2010/11 highlights the final support which will come from the Budget Support Fund and how by the end of 2010/11 the Council's budget will be sustainable, providing that 3 per cent efficiencies are achieved and pressures etc. are contained with the headroom set out in the MTFS.</p>
16	The MTFS integrates statements that formally allocate responsibility for budget reductions or service cuts to named individuals. These individuals are accountable for planning, implementation and review of these outcomes within agreed timescales.	Partly	<p>There is no commentary in the MTFS which allocates responsibility for budget reductions. Spreadsheets are produced which set out budget pressures and proposed efficiencies but this does not go beyond identifying the service or directorate. There is no link to the service plans which could also be used to identify responsibilities. There therefore appears to be no accountability for planning implementation and review of these outcomes within agreed timescales. These responsibilities are set out in the Council's constitution as part of the budget and policy procedure rules but not referred to in the MTFS.</p>

Appendix 1 – Detailed findings

	Features	Yes/No/ Partly	Comments/references
17	The MTFS integrates individual managers' formal acknowledgements of their responsibility to deliver services to the required standard within budget and to implement any savings and investments allocated to their areas.	Partly	No such formal acknowledgements are present in the MTFS. There is reference in the budget and policy procedure rules which include relevant timetables and responsibilities for budget preparation and monitoring and individual sign off by Directors. However, there is no evidence in the MTFS to suggest that individual managers formally acknowledge their responsibilities for services and budgets.
	Financial reporting		
18	The MTFS models income and expenditure over a minimum of three years. This is reviewed and updated annually.	Partly	Statement of General fund requirements 2007/8 – 2010/11 sets out mainly expenditure figures split by departmental requirement, external requirements, corporate commitments, new pressures and other adjustments to give an overall gross base budget requirement. This is because the Council presents the net budget only. Specific references to income concentrate on Council tax and formula grant with minor collection fund surplus. Income is included in appendices which detail each individual's services budget requirement but this is not then aggregated anywhere in the MTFS which would allow proper discussion and action on levels of fees and charges.
19	The MTFS models balances and resource requirements over a minimum of three years.	Yes	The MTFS model does balance with either a deficit or surplus being projected for three years. Detail set out in question 2.

	Features	Yes/No/ Partly	Comments/references
20	The MTFS's modelling shows best case, worse case and most likely scenarios.	No	The MTFS just presents one consolidated view based on a series of assumptions and whilst sometimes individually eg Council tax levels presents a series of three options this is not consistently done with the other constituent parts.
21	The MTFS communicates the financial plan in a format as close as possible to that used for external reporting.	Yes	The series of reports are then consolidated into a budget book which is placed on the Council's website for all to see and is summarised into a readable format for every household in the area.
Financial management			
22	The MTFS integrates and reflects the body's policy on the treatment of under and overspending, including calls on reserves and contingencies and its protocol on carry forward.	Partly	There is no specific commentary in the MTFS on the treatment of under and overspending. Financial regulations set out what happens to overspends for departments. The only action apparent in the MTFS documents seems to be writing off overspends against corporate spends which does not tackle the issue of consistent departmental overspends. This confirms the view that many practices and rules are in place but they are not reported or brought together in one comprehensive coherent document. To be able to fully understand the Council's overall approach to medium term financial planning several documents have to be read together.
23	The MTFS links to Annual Efficiency Statements and (Gershon) targets.	Yes	There is a clear link from the schedule of proposed efficiencies and the corporate expectation of a 3 per cent efficiency saving. This results in a total 2008/09 3 per cent efficiency target of £2.305m; this isn't expanded beyond 2008/09.

Appendix 1 – Detailed findings

	Features	Yes/No/ Partly	Comments/references
24	The MTFS puts high costs in perspective. Its preparation challenges the assumptions underpinning the robustness and realism of forecasts. For example it uses PIs, cost profiles, trend analysis, comparative spend and performance data to inform the scope for efficiency gains and budget realignment to reflect the body's key priorities.	No	There is no specific reference to high costs services in the MTFS. It just lists potential areas as budget pressures. There is no evidence in the MTFS that PIs, cost profiles trend analysis, spend and performance data is taken into account when budgets are prepared.
	Engagement with stakeholders		
25	Cabinet members approve the MTFS.	Yes	The MTFS is a series of reports that have been previously approved by the cabinet who have also had several briefing presentations on the budget and policy framework.
26	Scrutiny members challenge the MTFS's content, basis and underlying assumptions.	Yes	Whilst there is no reference in the MTFS documentation that it is subjected to robust Scrutiny, there is a formal programme of scrutiny involvement in the budget preparation process. This gives clear evidence that scrutiny members have a range of opportunities to challenge the proposed budget assumptions. A short articulation that this process is in place and its purpose would make the MTFS a stronger document.
27	The MTFS describes in financial terms joint plans agreed with partners and other stakeholders.	No	There is no reference in the document to partnerships and no reference to financial proposals from partnerships and other stakeholders.

	Features	Yes/No/ Partly	Comments/references
28	The body communicates key messages from the MTFS to staff and stakeholders to ensure roles and responsibilities in delivery are understood. This communication includes organisations that it works with in joint arrangements and partnerships.	Yes	Via Chief Executive's briefings and minutes and agendas of cabinet on the Council website.

Appendix 1 – Detailed findings

	Features	Yes/No/ Partly	Comments/references
	Monitoring and control		
29	The MTFS explains how the body measures progress against the medium term financial plan, including outcome targets. The body should measure progress at least annually.	No	<p>This is covered by the Budget Policy Framework and procedures which are separate documents. From the reports provided, such as the MTFS, monitoring and review is clearly undertaken but there is no specific reference to the process in the document.</p> <p>At the very least the MTFS should set out the basis for subsequent monitoring eg reporting of movements in medium term financial forecasts, updates on assumptions, how a Council intends to measure outcomes (so that the impact on finance can be considered). The Council needs to decide what success will look like. The budget is one measure that the strategy is on target but there might be other measures such as outcomes; eg there might be milestones for the level of reserves or types of investment. How will the Council know in 12-18 months that the strategy is delivering what it set out to do?</p>
30	The MTFS requires that the body reviews its medium-term financial planning process on a regular basis.	Yes	This is set out in the budget policy framework not the MTFS. Evidence from many budget presentations throughout the year indicates that reviews do take place frequently.

Appendix 2 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Date
6	R1 The Council should consider presenting their financial policies in one comprehensive document which should include short outlines of what the key policies are and how the Council intends to manage its finances to meet its priorities over the short, medium and long term.	3	Chief Financial Officer Chief Financial Officer	Yes	February 2009
6	R2 The Council should continue with its intention to produce the information from 2008/09 so that is better aligned with the Council's priorities and not departmental budget.	2	Chief Financial Officer	Yes	February 2009
6	R3 The Council should ensure that in future references to all internal policies is included especially where they have potential to have a major impact on future resources eg policies such as HR and income charging and fees.	2	Chief Financial Officer	Yes	February 2009
6	R4 The Council needs to be able to demonstrate that as part of its process, income from fees and charges are fully discussed by members so that they can ensure that the levels set are in line with what they are trying to achieve. The MTFS should give greater clarity on the role income plays within budgets and how it contributes to the balancing of the budget overall.	3	Chief Financial Officer	Yes	February 2009
7	R5 There should be more explicit examples of scenario planning contained within the MTFS and a clear statement of the Council's approach to this area.	3	Chief Financial Officer	Yes	February 2009
7	R6 The MTFS needs to include a full statement on how the Council approaches option appraisal of budget alternatives with examples of where this has taken place and budgets have been changed accordingly.	3	Chief Financial Officer	Yes	February 2009
7	R7 Clear responsibilities for service delivery within approved budgets and budget reductions or service cuts should be clearly set out in the MTFS with formal acknowledgements by the relevant Directors of their responsibilities.	2	Chief Financial Officer	Yes	February 2009

Appendix 2 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Date
7	R8 The Council needs to set out clearly its approach to scenario modelling within the MTFS and provide examples of where it has been used and decisions taken as a result.	2	Chief Financial Officer	Yes	
8	R9 The Council needs to make a clear statement in the MTFS on its policy for treatment of under/over spending including calls on reserves and contingencies.	3	Chief Financial Officer	Yes	February 2009
8	R10 Future MTFSs should include examples of where performance and comparative data have been used to inform scope of efficiency gains and budget realignment.	2	Chief Financial Officer	Yes	February 2009
8	R11 The Council needs to ensure that joint financial plans with partners and other stakeholders are clearly set out and explained in the MTFS; also how they contribute to the overall financing of the Council's priorities and help balance the resources needed to deliver services.	3	Chief Financial Officer	Yes	February 2009
9	R12 The Council needs to explicitly state in its MTFS how progress against its plans, including its income targets will be measured.	3	Chief Financial Officer	Yes	February 2009

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AUDIT COMMITTEE

18 December 2008



Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT PLAN 2008/09 UPDATE

1. PURPOSE OF REPORT

To inform Members of the progress made to date completing the internal audit plan for 2008/09.

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 2008/09 UPDATE

1. PURPOSE OF REPORT

- 1.1 To inform Members of the progress made to date completing the internal audit plan for 2008/09.

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.
- 3.3 The section has also coordinated the requirement for the Council to provide data to the Audit Commission in relation to the National Fraud Initiative (NFI) for 2008/09. This involves data matching information across a range of areas with investigation of any anomalies identified due to take place between January and March 2009.
- 3.4 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
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.	- Procedures in place are updated to take account of the changes made to comply with SORP 2007	Y
		- Charges for depreciation are reviewed and checks carried out and evidenced prior to the asset register being finalised.	Y
		- Procedures are put in place which ensures that the existence of all assets on the asset register is verified.	Y
		- All valuation calculation sheets are retained on the appropriate file.	Y
		- Estates confirm that the entries made to the asset register in respect of revaluations and impairments are accurate.	Y
		- Each asset on the Asset Register is given it's own unique asset number to enable a full audit trail to be maintained.	Y
		- Land transaction documents are completed on all occasions, signed by an authorised officer and forwarded to the appropriate departments.	Y
Local Safeguarding Children Board	Ensure adequate governance arrangements are in place for significant partnerships.	- Judgements made regarding impairments in the asset register are clearly linked to the requirements of SORP 2007.	Y
		- In order for LSCB objectives to be consistent with CYPP targets, plans should consider longer term objectives.	Y
		- Milestones should be established for the achievement of outcomes detailed in the 2008/9 LSCB work plan.	Y
		- A medium term budget which reflects longer term objectives discussed above and commits partner agencies to future contributions should be established.	Y
		- Statements of Commitment and attendance should be completed by all partner agencies and retained in a secure manner.	Y
		- Statistics demonstrating the achievement or otherwise of LSCB objectives should be produced and reported to the Board on a regular basis.	Y
		- A benchmarking exercise should be undertaken to compare Hartlepool LSCB with similar Boards in order to identify areas of improvement and enable comparison of budgets, performance management arrangements etc.	Y

		<ul style="list-style-type: none"> - Risk management should be embedded into the Boards processes. Risk assessments should be undertaken of activities to identify, evaluate and treat risks to the achievement of the Boards priorities. - A Communication Strategy which describes how information will be disseminated to / from stakeholders should be developed. The Strategy should be used to establish and manage the methods and frequency of communication with internal and external stakeholders and be reviewed on a regular basis. The strategy should also detail how sensitive / personal should be managed. 	<p>Y</p> <p>Y</p>
Supporting People	<p>Roles and responsibilities of partners are clearly defined and documented with appropriate mechanisms in place to ensure both internal and external accountability to stakeholders. Communication and consultation mechanisms are in place. The supporting people team has adopted formal procedures governing the conduct of the business and defining the standards of personal behaviour to which individual members, officers and agents are required to subscribe. Standards are documented and clearly understood. The supporting people service has suitable arrangements in place to ensure value for money is obtained when procuring goods and services, and/or commissioning services from external providers. The supporting people service has a clear strategy/purpose, based on need identified in consultation with community and service users. Responsibilities for the supporting people service's financial management are clearly defined including monitoring and reporting arrangements. There are suitable systems and controls in place to ensure financial resources can be accounted for. The supporting people service has an effective risk management system in place to ensure that key risks to the achievement of supporting people service objectives are identified and managed effectively.</p>	<ul style="list-style-type: none"> - Supporting People five year Strategy is further amended to more clearly demonstrate where the links are between the Supporting People services/initiatives and the Community Strategy main themes and priorities. - Policies and procedures are reviewed and updated as appropriate and necessary. The Commissioning Body should approve the amended policy documents. - Supporting People Team makes provision to check that all provider staff with access to the SPOCC.net system are current employees and that no leavers still have access to the site. This review should be performed on a regular (suggested annually) basis. - Terms of Reference should be updated to include provision for these items, which do already take place. Additionally, the Terms of Reference should be updated to detail how further changes to the Terms should be made. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>

Rift House Primary	Ensure school financial and governance arrangements are in line with best practice.	- An action column is added to the Finance Committee minutes so actions can be assigned to a responsible officer, These then should be followed up at next meeting.	Y
		- The Governing Body should undertake a review of the schools control environment and prepare / sign a Statement on Internal Control which reflects the guidance issued by DCSF. Any material weakness in the control environment of the school should be reflected in the wording of the SIC.	Y
		- The school should take the Whistle Blowing Policy to the next available Governing Body Meeting to be approved.	Y
		- Evidence that governors have been briefed on the competencies requirement of the standard; Carry out a self evaluation of competencies. All Governors on the GP Committee and the Chair of the GB should complete a Financial Management Competencies Matrix for School Governors; Evidence of what steps the school is taking to rectify any areas of the matrix where competencies within the governing body are limited.	Y
		- The employee on the staff reconciliation list which does not belong to the school must be rectified and costs incurred journalled to the appropriate department.	Y
		- A self evaluation of staff financial management competencies should be carried out by the Headteacher and clerk. A full set of competencies should be available to the school.	Y
		- Job descriptions should be drawn up for the Headteacher and Clerk which includes all financial responsibilities for the two posts.	Y
		- The staffing structure of the school should be reviewed periodically with any changes to the structure approved by the Governing Body.	Y
		- Checks should be undertaken to ensure that salary costs recorded on the contracts Information on SIMS agree with actual salaries.	Y
		- Periodic reviews should be undertaken every three years of all posts to obtain up to date CRB clearance.	Y
		- Periodic reviews should be undertaken every three years of all Governors to obtain up to date CRB clearance.	Y
		- Virements should be carried out	Y

		under the conditions of the 'Terms of Reference'.	
		- The school should carry out a benchmarking exercise using the DFES Teachernet benchmarking website to evaluate performance against similar schools.	Y
		- The school improvement plan should be based upon 3 to 4 years instead of annual in order to comply with DfES guidance. A medium term budget which reflects the School Improvement Plan should be in place.	Y
		- The Governing Body should ratify the LEA's Financial Regulations which should be reviewed on a regular basis (at least two yearly).	Y
		- Families that are in arrears with Breakfast and After School Club over £25 be given an invoice to recover the income.	Y
		- Neighbourhood Services should inform schools monthly of the charge for school meals, this can then be reconciled to documents held by the school.	Y
		- A stock check should be undertaken on an annual basis. The person undertaking the stock take should be independent of the day to day maintenance of the inventory and should sign and date the inventory.	Y
		- The school should draw up local financial procedures and take them to the GB to be approved as an official document.	Y
		- The Governing Body should formally adopt a scale of charges which should be reviewed on an annual basis.	Y
		- While out on site the Clerk began to input Breakfast club monies received, this needs to be completing for all income received by the school including school meals, and future monies received will need to be post weekly.	Y
		- Receipts given for school trips, so reconciliation can be carried out.	Y
		- Orders should be used for all goods and services with a few limited exceptions. These orders should then be committed on the school's financial system to prevent overspending.	Y
		- Attendance registers which record, attendance and payment of fees should be signed and verified by a second person.	Y
		- A Risk Management Group should be established to co-ordinate the school's risk management activities. Members	Y

		<p>of the group should receive appropriate training in risk management.</p> <ul style="list-style-type: none"> - All staff must read and complete a Data Protection Form. - The Governing Body should classify its information assets (both electronic and paper based information) and agree a publication scheme (see model publication schemes) and access policy in accordance with the Freedom of Information Act. - The school should have an ICT strategy in place which provides direction in the use of ICT resources in the areas of learning, teaching and administration. - Back ups should be stored in a secure location within the school away from the main computer/server. For Data Protection reasons back ups should not be taken off the premises. Testing should be carried out on back up tapes to ensure correct. - Records should be maintained by the school of all software loaded onto desktop machines / laptops etc. Regular software audits should be undertaken by the school to ensure that unauthorised software has not been installed on machines and that the number of software licences retained agrees to the software loaded onto machines. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Seaton Nursery	Ensure school financial and governance arrangements are in line with best practice.	<ul style="list-style-type: none"> - The Governing Body should undertake a review of the schools control environment and prepare / sign a Statement on Internal Control which reflects the guidance issued by DCSF. Any material weakness in the control environment of the school should be reflected in the wording of the SIC. - The school has a copy of the Authority's Whistle Blowing Policy. This has been drawn up as an official school policy and will be approved by Governors - Evidence that governors have been briefed on the competencies requirement of the standard; carry out a self evaluation of competencies. All Governors on the GP Committee and the Chair of the GB should complete a Financial Management Competencies Matrix for School Governors; Evidence of what steps the school is taking to rectify any areas of the matrix where competencies within the governing body are limited. - A register of business interests 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>

	(including 'nil' returns should be maintained for all governors and those staff who can influence purchasing decisions. The register should be updated at least annually.	
	- A self evaluation of staff financial management competencies should be carried out by the Headteacher and School Secretary. For staff with financial management responsibilities ensure that their performance management targets include relevant financial management targets. Such staff should be given the opportunity to attend financial management training courses particularly to address any gaps in their competences.	Y
	- Ensuring that all staff pay grades are correct will be reviewed as part of the follow up audit.	Y
	- Arrangements for staff costs to be reconciled to Contract Information held on SIM's will be tested as part of the follow up.	Y
	- Ensuring recruitment checks are being carried out will be tested as part of the follow up.	Y
	- The school should carry out a benchmarking exercise using the DFES Teachernet benchmarking website to evaluate performance against similar establishments.	Y
	- The Governing Body should ratify the LEA's Financial Regulations which should be reviewed on a regular basis (at least two yearly).	Y
	- Income over £500 should be held in a safe, Income under £500 should be held in a locked tin in a locked cupboard.	Y
	- The school should develop detailed local procedures for the finance function and ensure that they are approved by the Governing Body.	Y
	- The school should have a copy of the bank mandate on file in the school and must contain at least 2 signatories.	Y
	- Arrangements for ensuring that Seaton Nursery have correct insurance when carrying out capital works will be reviewed as part of the follow up audit.	Y
	- Orders should be used for all goods and services with a few limited exceptions. These orders should then be committed on the school's financial system to prevent overspending.	Y
	- The Governing Body should formally adopt a scale of charges which should be reviewed on an annual basis.	Y
	- A Risk Management Group should be	Y

		<p>established to co-ordinate the school's risk management activities. Members of the group should receive appropriate training in risk management. Risk assessments should be undertaken of school activities to identify, evaluate and treat risks to the achievement of the schools priorities, as defined in the schools development plan. These should then be presented to the GB.</p> <p>- An internet policy should be made available to parents, and permission sought to enable children to access the internet.</p> <p>- The Clerk and the Head Teacher should have their own separate passwords to gain access to computers.</p> <p>- All staff with access to IT systems and personal information should complete a data protection form of undertaking.</p> <p>- Records should be maintained by the school of all software loaded onto desktop machines / laptops etc. Regular software audits should be undertaken by the school to ensure that unauthorised software has not been installed on machines and that the number of software licences retained agrees to the software loaded onto machines.</p> <p>- The Governing Body should classify its information assets (both electronic and paper based information) and agreed a publication scheme (see model publication schemes) and access policy in accordance with the Freedom of Information Act.</p> <p>- Back ups should be stored in a secure location within the school away from the main computer/server. For Data Protection reasons back ups should not be taken off the premises. Back ups of information should be taken on a regular basis, and tested to ensure system can be restored.</p> <p>- Arrangements for ensuring the school have an ICT strategy in place which provides direction in the use of ICT resources in the areas of learning, teaching and administration will be further tested as part of the follow up.</p> <p>- All private funds maintained by the school should have a constitution, which is approved by the Governing Body, and details the purpose of the fund and arrangements for its management.</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>
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St Josephs Primary	Ensure school financial and governance arrangements are in line with best practice.	- Missing Governors forms to be completed and held on file.	Y
		- The school draws up an ICT Strategy which is approved by the Governors. It should contain appropriate objectives, reflecting local and national priorities, be the result of an effective planning process, have the right content, covering all aspects of ICT in the school, detail clear monitoring arrangements for its implementation.	Y
		- All personal information must be stored in an appropriate locked draw or cabinet.	Y
		- As discussed with the Head and Clerk the school have decided to maintain an excel spreadsheet for the private fund. This needs to be reconciled to bank statements monthly.	Y
		- The school should have their private fund annually audited by a person independent of the day to day running of the fund. This audit statement should then be presented to the GB.	Y
		- A medium term budget which reflects the School Improvement Plan should be in place.	Y
		- The School profile containing all relevant information about the school should be in place.	Y
		- The Governing Body should ratify the LEA's Financial Regulations which should be reviewed on a regular basis (at least two yearly).	Y
		- All staff with access to IT systems and confidential Information should complete a data protection form of undertaking.	Y
		- Records should be maintained by the school of all software loaded onto desktop machines / laptops etc. Regular software audits should be undertaken by the school to ensure that unauthorised software has not been installed on machines and that the number of software licences retained agrees to the software loaded onto machines.	Y
		- The school should register its information systems with the Information Commissioner.	Y
		- The Governing Body should undertake a review of the schools control environment and prepare / sign a Statement on Internal Control which reflects the guidance issued by DCSF. Any material weakness in the control environment of the school should be reflected in the wording of the SIC.	Y
		- The Governing Body should	Y

		<p>approved the classification of the school's information assets (both electronic and paper based information) and agree a publication scheme (see model publication schemes) and access policy in accordance with the Freedom of Information Act.</p> <p>- The school should develop detailed local procedures for the finance function and ensure that they are approved by the Governing Body.</p> <p>- A stock check should be undertaken on an annual basis. The person undertaking the stock take should be independent of the day to day maintenance of the inventory and should sign and date the inventory</p> <p>- An adequate income record should be used to record all income received by the school, the date on which it was banked and entered on to the school's financial system. Attendance registers which record, attendance and payment of fees should be signed and verified by a second person.</p> <p>- Arrangements should be made to ensure that Neighbourhood Services transfer payments including school meals are authorised by the Head Teacher and documentary evidence retained.</p> <p>- The school should keep a copy of the bank mandate for proof of signatories of the school budget.</p> <p>- Periodic reviews should be undertaken every three years of all posts to obtain up to date CRB clearance.</p> <p>- Staff appraisal systems should incorporate financial performance management targets for staff included Clerk with a financial role and identifies: Specific targets; training requirements</p> <p>- A detailed staffing structure of the school should be reviewed periodically with any changes to the structure approved by the Governing Body.</p> <p>- Governors should obtain CRB clearance before been appointed, Periodic reviews should be undertaken every three years of all Governors to obtain up to date CRB clearance.</p> <p>- The school draw up the whistle Blowing as an official document and it be approved by Governors.</p> <p>- Arrangements for ensuring that salary costs can be reconciled to SIMs will be reviewed as part of the follow up audit.</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>
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		- Effective clerking arrangements should be in place for the governing body and finance committee. Part 4 of the Statutory Guidance on the School Governance (Procedures) (England) Regulations 2003 identifies best practice relating to Committees of Governing Bodies and states that the GB must appoint a clerk to each committee. Whilst the Headteacher cannot be a clerk, a governor can be appointed although it is considered best practice to appoint a qualified clerk (or who is receiving training). The School should consider the above regulations when appointing a clerk to its Finance and General Purposes Committee Regulations.	Y
		- The school should consider registering the private fund with the Charity Commissioner.	Y
		- Back ups of information should be taken on a regular basis and tested to ensure they have correctly been copied.	Y
		- Evidence that governors have been briefed on the competencies requirement of the standard; carry out a self evaluation of competencies. All Governors on the Finance Committee and the Chair of GB should complete a Financial Management Competencies Matrix for School Governors.	Y
		- A self evaluation of staff financial management competencies should be carried out by the Headteacher, Deputy Head and clerk.	Y
		- The budget plan the Chair of Governors signs should be input into SIMs and virements to be made following the correct guidelines as stated in the Terms of Reference.	Y
		- The school should carry out a benchmarking exercise using the DFES Teachernet benchmarking website to evaluate performance against similar schools.	Y
		- A Risk Management Group should be established to co-ordinate the school's risk management activities. Members of the group should receive appropriate training in risk management. Risk assessments should be undertaken of school activities to identify, evaluate and treat risks to the achievement of the schools priorities, as defined in the schools development plan.	Y
		- Recruitment testing will be carried out as part of the follow up.	Y

Lynnfield Primary	Ensure school financial and governance arrangements are in line with best practice.	- Effective clerking arrangements should be in place for the governing body and finance committee. Part 4 of the Statutory Guidance on the School Governance (Procedures) (England) Regulations 2003 identifies best practice relating to Committees of Governing Bodies and states that the GB must appoint a clerk to each committee. Whilst the Headteacher cannot be a clerk, a governor can be appointed although it is considered best practice to appoint a qualified clerk (or who is receiving training). The School should consider the above regulations when appointing a clerk to its Finance and General Purposes Committee Regulations.	Y
		- The school should develop detailed local procedures for the finance function and ensure that they are approved by the Governing Body.	Y
		- A stock check should be undertaken on an annual basis. The person undertaking the stock take should be independent of the day to day maintenance of the inventory and should sign and date the inventory.	Y
		- Arrangements should be made to ensure that Neighbourhood Services transfer payments including school meals are authorised by the Head Teacher and documentary evidence retained.	Y
		- Examination of financial statements for private funds should not be undertaken by cheque signatory or person responsible for administering the fund. Annual accounts should be presented to the Governing Body.	Y
		- All staff with access to IT systems and children's information should complete a data protection form of undertaking.	Y
		- Back ups should be stored in a secure location within the school away from the main computer/server. For Data Protection reasons back ups should not be taken off the premises. Back up tapes should be tested to ensure they are correct.	Y
		- The school should have an ICT strategy in place which provides direction in the use of ICT resources in the areas of learning, teaching and administration.	Y
		- The Governing Body should classify its information assets (both electronic and paper based information) and agree a publication scheme (see	Y

		model publication schemes) and access policy in accordance with the Freedom of Information Act.	
		- A register of business interests (including 'nil' returns should be maintained for all governors and those staff who can influence purchasing decisions. The register should be updated at least annually.	Y
		- Improved records for the breakfast club must be maintained and documentation for an audit trail to be available.	Y
		- The Governors should review the breakfast club and examine its viability. Also charges should be reviewed annually by the governing body to ensure appropriate charges are increased when agreed by GB.	Y
		- The Head should take Financial Regulations to the next GB meeting and have the regulations formally adopted.	Y
		- Virements should be processed in accordance with the School's Scheme of Delegation	Y
		- Arrangements for ensuring that salary costs can be reconciled to SIMs will be reviewed as part of the follow up audit.	Y
		- Periodic reviews should be undertaken every three years of all posts to obtain up to date CRB clearance.	Y
		- Orders should be used for all goods and services with a few limited exceptions. These orders should then be committed on the school's financial system to prevent overspending.	Y
		- The Governing Body should undertake a review of the schools control environment and prepare / sign a Statement on Internal Control which reflects the guidance issued by DCSF. Any material weakness in the control environment of the school should be reflected in the wording of the SIC.	Y
		- The Governing Body should adopt the HBC Whistle blowing Policy and ensure that it is communicated to all staff.	Y
		- As well as identifying individual training needs, Members of the Governing Body (and in particular Finance) should evaluate their strengths in order that the school may utilise these competencies. (Competencies Matrix)	Y
		- A Risk Management Group should be established to co-ordinate the school's risk management activities. Members	Y

		<p>of the group should receive appropriate training in risk management. Risk assessments should be undertaken of all school activities to identify, evaluate and treat risks to the achievement of Schools priorities, as defined in the schools development plan and Every Child Matters themes.</p> <p>- A self evaluation of staff financial management competencies should be carried out by the Headteacher and School Secretary. For staff with financial management responsibilities ensure that their performance management targets include relevant financial management targets. Such staff should be given the opportunity to attend financial management training courses particularly to address any gaps in their competences.</p> <p>- The school should carry out a benchmarking exercise for this financial year using the DFES Teachernet benchmarking website to evaluate performance against similar schools.</p> <p>- Appropriate checks (e.g. references) are undertaken on all new staff. This will be tested as part of the follow up.</p>	<p>Y</p> <p>Y</p> <p>Y</p>
Brougham Primary	Ensure school financial and governance arrangements are in line with best practice.	<p>- The Governing Body should undertake a review of the schools control environment and prepare / sign a Statement on Internal Control (SIC) which reflects the guidance issued by the DCSF. Any material weaknesses in the control environment of the school should be reflected in the wording of the SIC.</p> <p>- A whistleblowing policy is formally adopted by the school and communicated to all staff.</p> <p>- As well as identifying individual training needs, Members of the Governing Body (and in particular General Purposes) should evaluate their strengths in order that the school may utilise these competencies.</p> <p>- That a copy of the SIMS budget report is attached to each agenda and the details of the report presented are recorded in the minutes of the meeting.</p> <p>- The 2008/9 budget is approved by Governors.</p> <p>- Staff financial competencies are evaluated and training provided as appropriate.</p> <p>- Evidence of recruitment checks carried out is maintained. The development of a checklist for each</p>	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>

	appointment/vacancy will help to ensure that all key items are covered and will provide evidence that the checks have been carried out.	
	- Arrangements are made to review the staffing structure on an annual basis and for this to be presented and approved by governors.	Y
	- Governors receive a CRB check.	Y
	- Benchmarking exercises should be carried out annually and the results reported to Governors.	Y
	- Amendments to the budget are reported to governors in accordance with the School's Scheme of Delegation.	Y
	- The school identifies additional areas which funding can be used for.	Y
	- HBC School Financial Regulations are formally adopted by the school.	Y
	- A system is put in place to record recovery action on a case by case basis.	Y
	- The school improvement plan should be based upon 3 to 4 years instead of annual in order to comply with DfES guidance. A medium term budget which reflects the School Improvement Plan should also be in place.	Y
	- Quotations/tenders are obtained and results reported and accepted by Governors. The Head should obtain retrospective approval for these contracts.	Y
	- Orders are raised on all occasions.	Y
	- Systems are adopted to enable recovery action taken for after school and breakfast clubs to be recorded. Also that breakfast club income is recorded when received.	Y
	- The scale of charges is approved by Governors.	Y
	- Procedures are more detailed to enable them to be used by staff completing the various tasks, these could be linked to the School Procedures on the Council's Intranet. These also require distributing to all staff with financial responsibilities/roles.	Y
	- Systems are put in place to identify, assess and evaluate the risks that the school faces with regards to not achieving it's objectives as defined in the Development Plan. Risk Management should be embedded into the schools processes. A Risk Management Group who has received appropriate training should be established to co-ordinate the school's	Y

		<p>risk management activities.</p> <ul style="list-style-type: none"> - All staff are provided with a copy of the data protection policy and sign the appropriate declarations. - A record of all software and the corresponding licence numbers is maintained for each PC/Laptop. - Back ups are made on a daily basis with a full system back up weekly. These should be stored in the safe and regular checks carried out to ensure that the systems can be restored. - Consideration is given to registering the Private Fund with the Charity Commission. - A statement is produced showing fund activity for the financial year 2007/8 and this is presented to governors and made available to parents. Also that an audit certificate is produced by the funds auditor. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Public Interest Disclosure Act	<p>To ensure that the Council has in place policies which ensure compliance with the Public Interest Disclosure Act legislation.</p> <p>To ensure that all HBC employees are made aware of the legislation and HBC policy and procedures to follow if they have any issues which they feel should be investigated. Procedures should be in place to enable staff to raise a concern under the PIDA legislation; these should ensure compliance with legislation and internal policies and be made available to all staff involved in the process. All information obtained should be held securely to prevent unauthorised access and data/documents being lost.</p> <p>Sufficient budget provision should be made available to enable the requirements of the legislation to be achieved.</p>	<p>- That the Whistle blowing Policy is effectively publicised.</p>	<p>Y</p>
Brierton Inventory	<p>To ensure all assets are adequately recorded and accounted for.</p>	<ul style="list-style-type: none"> - Procedures are drawn up to ensure that the Scheme for Financing Schools requirements are being adhered to and also that the asset inventory is securely held. - Sufficient data is retained for items below £1000 to enable the asset to be traced back to an invoice. This may include date of purchase and / or supplier but the location of the asset should be recorded to ensure that items can be easily traced. - There are arrangements put in place to authorise the disposal of assets and that the asset inventory is updated with 	<p>Y</p> <p>Y</p> <p>Y</p>

		<p>the details of disposal. Consideration needs to be taken of the means of disposal to ensure that it is the most appropriate.</p> <ul style="list-style-type: none"> - All assets on the registers are security tagged to show that they belong to the school. - Procedures to record all assets which are taken off school premises are adopted. 	<p>Y</p> <p>Y</p>
Criminal Records Bureau Checks	Evaluate the extent to which HBC complies with the CRB Code of Practice and has up to date policies and procedures which ensure children and vulnerable adults are safeguarded.	<ul style="list-style-type: none"> - A formal written policy should be in place which requires recruiters to seek advice from HR regarding the level of disclosure required for <u>all posts</u> and whether clearance is actually required given the nature of responsibilities. - Applicants for applicable positions should be informed that the CRB Code of Practice and relevant DIP forms are available should they be required. - There should be monitoring of forms returned from the CRB as incomplete by the Lead Counter Signatory. - A formal stock record should be made of application forms to enable effective tracking of issued forms. - A reporting facility should be added to the database to enable disclosures due for review to be identified. Where three years have elapsed managers should be informed of the need to apply for further disclosure. - All counter signatories should be required to sign a statement that they have read and will comply with Appendix 9 of the Recruitment and Selection Policy on the security of disclosure information. - Assurance should be obtained that any employees commencing work prior to disclosure being received have received appropriate authorisation to do so with adequate safeguards in place to ensure that there is no risk to children / vulnerable adults. - All appropriate documentation be viewed to confirm the identity of the applicant as defined by the CRB Code of Practice. Details of documentation seen be recorded and appended to the copy application retained. - Reminders should be issued to departments informing them of the need to seek disclosure for the posts identified as being due for review. - Invoices received from the Criminal Records Bureau should be reconciled to the CRB database to ensure that payments claimed relate to disclosures received. 	<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>

St Cuthbert's Primary	Ensure school financial and governance arrangements are in line with best practice.	- Effective clerking arrangements should be in place for the General Purposes Committee. Part 4 of the Statutory Guidance on the School Governance (Procedures) (England) Regulations 2003 identifies best practice relating to Committees of Governing Bodies and states that the GB must appoint a clerk to each committee. Whilst the Headteacher cannot be a clerk, a governor can be appointed although it is considered best practice to appoint a qualified clerk (or who is receiving training). The School should consider the above regulations when appointing a clerk to its General Purposes Committee.	Y
		- The Governing Body should adopt the HBC Whistleblowing Policy and ensure that it is communicated to all staff.	Y
		- As well as identifying individual training needs, members of the Governing Body (and in particular Finance) should evaluate their strengths in order that the school may utilise these competencies.	Y
		- Arrangements for ensuring that all staff with a financial role have completed a self evaluation of competencies will be reviewed as part of the follow up audit.	Y
		- Checks should be undertaken to ensure that salary costs recorded on the contracts Information on SIMS agree with actual salaries.	Y
		- CRB disclosures should be received for all members of the Governing Body and reviews should be undertaken every three years to ensure CRB clearance remains up to date.	Y
		- The school improvement plan should be based upon 3 to 4 years instead of annual in order to comply with DfES guidance. A medium term budget which reflects the School Improvement Plan should be in place.	Y
		- Budget monitoring statements should contain sufficient details to enable meaningful review. They should be in the format provided by the SIMS Financial System and a copy attached to the minutes of the meeting. An alternative copy may be provided in addition to the SIMS report should Governors desire.	Y
		- The school should carry out a benchmarking exercise for this financial year using the DCSF Teachernet benchmarking website to	Y

		<p>evaluate performance against similar schools. Results of such exercises should be reported to the Governing Body and an action plan developed where appropriate.</p> <p>- The Governing Body should ratify the LEA's Financial Regulations which should be reviewed on a regular basis (at least two yearly).</p> <p>- Attendance sheets for breakfast club and after school care records should include a column showing the weekly amount paid by each child, the column should be totalled at the bottom of the record showing the amount banked which should be verified as correct by both the person collecting the income and the School Administrator. Receipts should be issued for all donations received.</p> <p>- Records should be maintained of all recovery letters issued in respect of school meals arrears. Recovery should be undertaken by a person who is not responsible for the collection of income. All schools meals should be payable in advance.</p> <p>- Debts exceeding £20 should be referred to the LEA in order that recovery action can be taken.</p> <p>- Attendance registers which record, attendance and payment of fees should be signed and verified by a second person.</p> <p>- Charges for Breakfast Club and After School Care should be agreed by Governors.</p> <p>- All items of equipment costing in excess of £500 or of a portable and attractive nature should be recorded in the inventory record. A stock check should be undertaken on an annual basis. The person undertaking the stock take should be independent of the day to day maintenance of the inventory and should sign and date the inventory.</p> <p>- Orders should be used for all goods and services with a few limited exceptions. These orders should then be committed on the school's financial system to prevent overspending.</p> <p>- In order to demonstrate Best Value in the provision of its services the School should identify areas to review the economic, efficient and effective use of resources, document these areas in a best value statement and submit this statement to the LEA on an annual basis.</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>
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		- The school should develop detailed local procedures for the finance function and ensure that they are approved by the Governing Body.	Y
		- Risk management should be embedded into the schools processes. A Risk Management Group should be established to co-ordinate the school's risk management activities. Members of the group should receive appropriate training in risk management. Risk assessments should be undertaken of school activities to identify, evaluate and treat risks to the achievement of the schools priorities, as defined in the schools development plan.	Y
		- The school should have an ICT strategy in place which provides direction in the use of ICT resources in the areas of learning, teaching and administration.	Y
		- An internet policy should be made available to parents, and permission sought to enable children to access the internet.	Y
		- Records should be maintained of all software licences held including: <ul style="list-style-type: none"> ▪ Software publisher; ▪ version; ▪ serial number Asset number of the machine they are loaded on.	Y
		- The Governing Body should classify its information assets (both electronic and paper based information) and agree a publication scheme (see model publication schemes) and access policy in accordance with the Freedom of Information Act.	Y
		- Arrangements for backing up and recovering data will be reviewed as part of the follow up review.	Y
		- An adequate income record should be used to record all income received by the school. Source documents such as records of uniforms ordered should detail the date on which income was collected and banked. Where possible there should be separation of duties between the income collection and banking processes.	Y
		- Income collected should be banked in full and not used to supplement other activities.	Y
		- Year end financial statements should be prepared for the private fund. The School should appoint a person independent from the day to day	Y

		administration of the school fund to examine the year end financial statements and audited accounts should be presented to the Governing Body. - Private funds should be reconciled with each bank statement received by a person who is independent of the administration of the fund.	Y
Kingsley Primary	Ensure school financial and governance arrangements are in line with best practice.	<ul style="list-style-type: none"> - A register of business interests (including 'nil' returns) should be maintained for all governors and those staff who can influence purchasing decisions. The register should be updated at least annually. - Evidence of a review of the school's control environment should be in place to support the conclusions detailed on the statement on internal control. Findings in this internal audit report can be used for such purposes. - As well as identifying individual training needs, Members of the Governing Body should evaluate their strengths in order that the school may utilise these competencies. - Documentation relating to the recruitment of staff will be reviewed as part of the follow up audit. - The staffing structure of the school should be reviewed periodically with any changes to the structure approved by the Governing Body. - A self evaluation of staff financial management competencies should be carried out by all staff with financial responsibilities. For staff with financial management responsibilities ensure that their performance management targets include relevant financial management targets. Such staff should be given the opportunity to attend financial management training courses particularly to address any gaps in their competences. - CRB clearances should be obtained when appointing new governors. CRB clearance for all governors should be renewed every three years. - The school development plan should be based upon 3 to 4 years instead of annual in order to comply with DfES guidance. A medium term budget which reflects the School Improvement Plan should be in place. - Copies of the budget monitoring statements presented to Governors should be retained to provide evidence as to the accuracy of such reports. - Results of benchmarking exercises 	<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>should be presented to the Governing Body. Where areas of concern / significant deviations from comparator schools are identified, an action plan identifying measures to address such areas should be approved.</p> <ul style="list-style-type: none"> - The Governing Body should ratify the LEA's Financial Regulations which should be reviewed on a regular basis (at least two yearly). - The school should develop detailed local procedures for the finance function and ensure that they are approved by the Governing Body. - Risk management should be embedded into the schools processes. This can be achieved by establishing a Risk Management Group to co-ordinate the school's risk management activities. Members of the group should receive appropriate training in risk management. Risk assessments should be extended to include all school activities to identify, evaluate and treat risks to the achievement of the schools priorities, as defined in the schools development plan, with results presented to the Governing Body. - The Governing Body should ratify the publication scheme which classifies its information assets and access policy with periodic reviews undertaken to ensure it remains valid and up to date. The access policy should require all subject access requests to pass through the Headteacher or nominated co-ordinator. Staff should be instructed not to pass information assets out of the school. - Documentation which demonstrates that back ups of the schools IT systems / data are tested should be maintained. - The school should consider registering the private fund with the Charity Commission. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
St Helen's Primary	Ensure school financial and governance arrangements are in line with best practice.	<ul style="list-style-type: none"> - A register of business interests (including 'nil' returns) should be maintained for all governors and those staff who can influence purchasing decisions. The register should be updated at least annually. - The Governing Body should undertake a review of the schools control environment and prepare / sign a Statement on Internal Control (SIC) which reflects the guidance issued by DCSF. Any material weakness in the control environment of the school 	<p>Y</p> <p>Y</p>

		<p>should be reflected in the wording of the SIC. The outcome of this audit can be used as a basis for preparing the current years SIC.</p> <p>- The Governing Body should adopt the HBC Whistleblowing Policy and ensure that it is communicated to all staff.</p> <p>- As well as identifying individual training needs, Members of the Governing Body (and in particular Finance) should evaluate their strengths in order that the school may utilise these competencies.</p> <p>- Checks should be undertaken to ensure that salary costs recorded on the Contracts Information module agree to actual salaries charged to the school.</p> <p>- The staffing structure of the school should be reviewed periodically with any changes to the structure approved by the Governing Body</p> <p>- Arrangements for ensuring that all staff with a financial role has completed a self evaluation of competencies will be reviewed as part of the follow up audit.</p> <p>- A review of job descriptions / person specifications of staff with a financial role will be reviewed as part of the follow up audit.</p> <p>- This will be followed up with HBC Human Resources.</p> <p>- The school improvement plan should be based upon 3 to 4 years instead of annual in order to comply with DfES guidance. A medium term budget which reflects the School Improvement Plan should be in place</p> <p>- A medium term budget which reflects the School Improvement Plan should be in place.</p> <p>- The school should carry out a benchmarking exercise for this financial year using the DCSF Teachernet benchmarking website to evaluate performance against similar schools.</p> <p>- The Governing Body should ratify the LEA's Financial Regulations which should be reviewed on a regular basis (at least two yearly)</p> <p>- Attendance registers which record, attendance and payment of fees should be signed and verified by a second person</p> <p>- Regular bank reconciliations should be undertaken with SIMS and copies of such exercises retained within the</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> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
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		<p>school as evidence.</p> <p>- Orders should be used for all goods and services with a few limited exceptions. These orders should then be committed on the school's financial system to prevent overspending. Raising orders retrospectively is not a control.</p> <p>- Where the school employs contractors to carry out construction type work, it should ensure that the contractor has £5M Public Liability Insurance.</p> <p>- In order to demonstrate Best Value in the provision of its services the School should identify areas to review the economic, efficient and effective use of resources, document these areas in a best value statement and submit this statement to the LEA on an annual basis.</p> <p>- All items of equipment costing in excess of £100 or of a portable and attractive nature should be recorded in the inventory record. A stock check should be undertaken on an annual basis. The person undertaking the stock take should be independent of the day to day maintenance of the inventory and should sign and date the inventory.</p> <p>- The school should develop detailed local procedures for the finance function and ensure that they are approved by the Governing Body.</p> <p>- A Risk Management Group should be established to co-ordinate the school's risk management activities. Members of the group should receive appropriate training in risk management. Risk assessments should be undertaken of all school activities to identify, evaluate and treat risks to the achievement of Schools priorities, as defined in the schools development plan and Every Child Matters themes.</p> <p>- The school should ensure that it completes the actions identified in the action plan and reports this back to the Health and Safety function.</p> <p>- The contract with ITSS be obtained and retained in a secure manner.</p> <p>- Records should be maintained of all software licences held including:</p> <ul style="list-style-type: none"> • Software publisher; • version; • serial number <p>Asset number of the machine they are loaded on.</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>
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		<ul style="list-style-type: none"> - The Governing Body should approved the classification of the school's information assets (both electronic and paper based information) and agree a publication scheme (see model publication schemes) and access policy in accordance with the Freedom of Information Act. - All private funds maintained by the school should have a constitution, which is approved by the Governing Body, and details the purpose of the fund and arrangements for its management. - The school should consider registering the private fund with the Charity Commissioner. - Audited annual accounts for the private fund should be presented to the Governing Body. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
St Teresa's Primary	Ensure school financial and governance arrangements are in line with best practice.	<ul style="list-style-type: none"> - The Governing Body should undertake a review of the schools control environment and prepare / sign a Statement on Internal Control which reflects the guidance issued by DCSF. Any material weakness in the control environment of the school should be reflected in the wording of the SIC. - The Governing Body should adopt the HBC Whistleblowing Policy and ensure that it is communicated to all staff. - As well as identifying individual training needs, Members of the Governing Body (and in particular Finance) should evaluate their strengths in order that the school may utilise these competencies. - Documentation relating to recent recruitment exercises was not reviewed and will be reviewed as part of the follow up audit. - Checks should be undertaken to ensure that salary costs recorded on the Contracts Information module on SIMS are correct and agree with actual salaries. - The staffing structure of the school should be reviewed periodically with any changes to the structure approved by the Governing Body. - A self evaluation of staff financial management competencies should be carried out by the Headteacher and School Secretary. For staff with financial management responsibilities ensure that their performance management targets include relevant financial management targets. Such 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>

		<p>staff should be given the opportunity to attend financial management training courses particularly to address any gaps in their competences.</p> <p>- Evidence of the monitoring of achievement of milestones should be provided to demonstrate the achievement of priorities detailed in the school improvement plan. The school improvement plan should be based upon 3 to 4 years instead of annual in order to comply with DfES guidance. A medium term budget which reflects the School Improvement Plan should be in place.</p> <p>- The school should carry out a benchmarking exercise for this financial year using the DFES Teachernet benchmarking website to evaluate performance against similar schools.</p> <p>- The Governing Body should ratify the LEA's Financial Regulations which should be reviewed on a regular basis (at least two yearly).</p> <p>- The Governing Body should formally adopt a scale of charges which should be reviewed on an annual basis.</p> <p>- The school should develop detailed local procedures for the finance function and ensure that they are approved by the Governing Body.</p> <p>- Contract Procedure Rules should be followed when acquiring goods / services in excess of quotation / tender limits. Records of contract evaluation and decision to acquire goods / services should be signed by officers involved in the process, retained and the decision reported to the Governing Body.</p> <p>- In order to demonstrate Best Value in the provision of its services the School should identify areas to review the economic, efficient and effective use of resources, document these areas in a best value statement and submit this statement to the LEA on an annual basis.</p> <p>- The inventory record should contain sufficient detail to enable assets to be clearly identified i.e. serial numbers of ICT equipment, make model, date acquired etc. Annual reconciliation should be undertaken of the existence of assets recorded in the inventory with evidence of such checks evidenced by the signature of the person undertaking the reconciliation and the date the reconciliation was undertaken.</p>	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
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		- Risk management should be embedded into the schools processes. This can be achieved by establishing a Risk Management Group to co-ordinate the school's risk management activities. Members of the group should receive appropriate training in risk management. Risk assessments should be extended to include all school activities to identify, evaluate and treat risks to the achievement of the schools priorities, as defined in the schools development plan, with results presented to the Governing Body	Y
		- Arrangements for complying with the Freedom of Information Act were not reviewed and will be reviewed as part of the follow up audit.	Y
		- The school should consider registering its private fund with the Charity Commissioner.	Y

Appendix B

Audit	Objectives
National Non Domestic Rates	Ensure that the authority maintains an accurate list of all properties subject to locally 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 properties in the authority's area, All NNDR money collected is promptly posted to the correct account, NNDR transactions are recorded in the authority's accounts accurately, Relief given is valid and is in accordance with the regulations and local schemes, Prompt and effective recovery action is taken on all overdue unpaid amounts, All write offs are valid and correctly processed and authorised, N.N.D.R. system parameters have been accurately set on the system and verified, The authority maintains a secure system for recording and monitoring collectable non-domestic rates, Data is secure from loss or harm.
Integrated Mental Health Partnership	Ensure adequate governance arrangements are in place for significant partnerships.
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.
Children's Act	Examine the arrangements in place within the Authority to ensure that the Children's Act legislation is being complied with. This includes ensuring; that there are processes in place to co-ordinate the authorities approach to the various elements within the Children's Act, compliance with the legislation is monitored and action plans put in place where necessary, identifying any areas which are not covered by separate audits to evaluate the risks and carry out testing as appropriate or use to inform the audit plan.
Risk Management	Ensure risk management procedures are in line with expected best practice.

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.
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.
Rossmere Primary	Ensure school financial and governance arrangements are in line with best practice.
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 are adhered to.
Parks Income	Examine and evaluate the systems and procedures in place to administer Parks Income to ensure that all income due to the Authority in respect of rent for the Park Centre and Lodge at Ward Jackson Park and bowling greens is collected promptly and the systems in place for monitoring the actual income received against the budget are adequate.
Salaries and Wages	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 to those entitled, all expected output is produced, appears reasonable and is distributed on time with confidentiality being maintained. 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.
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.
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.

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.
St John Vianney's Primary	Ensure school financial and governance arrangements are in line with best practice.
Highways	Review the arrangements in place for maintaining the highways network to ensure the adequacy of the control environment in ensuring that individual schemes are selected in a consistent and objective manner, based upon documented policy, are approved, procured in line with policy / best value principles and effectively managed. Local highways schemes are selected based upon need; are consistent with corporate objectives and are appropriately approved; The budgets for local highway schemes are effectively managed; Work on the highways is procured in line with Contract procedure rules and the Authority's Purchasing policy; Schemes are effectively managed to ensure that work is carried out to an appropriate standard, within budget and on time; Arrangements are in place to ensure that staff working on the highways are safe, and also minimise the risk of injury to members of the public; (inspections, risk assessments etc); Performance monitoring arrangements are in place to measure and improve performance.

AUDIT COMMITTEE

18 December 2008



Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT PLAN 2009/10

1. PURPOSE OF REPORT

- 1.1 To inform Members of the direction of Internal Audit activity and to seek approval of the annual operational Internal Audit Plan for 2009/10.

2. BACKGROUND

- 2.1 The attached Report provides accountability for internal audit services and allows Members to monitor the application of the delegated authority for ensuring an effective and satisfactory internal audit function in accordance with the Accounts and Audit Regulations 2006 and CIPFA Code of Practice for Internal Audit in Local Government in the UK (2006).

3. FINANCIAL IMPLICATIONS

- 3.1 None.

4. RECOMMENDATIONS

- 4.1 Members note the contents of this Report and approve the Internal Audit Plan for 2009/10.

Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT PLAN 2009/10

1. PURPOSE OF REPORT

- 1.1 To inform Members of the direction of internal audit activity, and to seek approval of the annual operational Internal Audit Plan for 2009/2010 (Appendix A).

2. BACKGROUND

- 2.1 Under the Accounts and Audit Regulations 2006, the Council is responsible for maintaining an adequate and effective system of internal audit of its accounting records and accounting control systems in accordance with proper internal audit practices. At Hartlepool, the authority for ensuring this responsibility is discharged, has been delegated to the Chief Financial Officer.
- 2.2 To accord with the CIPFA Code of Practice 2006 and to assist in ensuring the objectives of Internal Audit are achieved, audit activity must be effectively planned to establish audit priorities and ensure the effective use of audit resources. Code of Practice criteria within Comprehensive Performance Assessment requires that there is an internal audit plan based on an evidenced assessment of risk and that the plan is reported to Members.
- 2.3 Given available audit resources, all aspects of the Council's systems and arrangements cannot be audited in one year. In recognition of this a Strategic Audit Plan has been prepared using a risk model based on the model accredited by the Chartered Institute of Public Finance and Accountancy, which factors include:
- System Factors
 - Managerial and Control environment
 - Value of transactions
 - Volume of transactions
 - Opinion critical
 - May incur legal penalties
- 2.4 The Strategic Audit Plan is produced in a way that ensures all relevant risk areas are covered. This allows the most relevant and comprehensive annual opinion on the councils control environment to be given to the Audit Committee. Additionally, the audit plan has been tailored to add value to the Council following a process of discussion

and consideration by Corporate Management Team, of their current operational issues.

- 2.5 Hartlepool Borough Council Internal Audit establishment consists of a Head of Audit and Governance and 6.5 FTE audit staff.

3 INTERNAL AUDIT RESOURCES 2009/2010

Mainstream Internal Audit

- 3.1 A total of 101 planned audits will form the basis of the mainstream Internal Audit Work for 2009/10. The plan includes fundamental systems such as salaries, debtors, creditors, risk management etc., which are identified, for the purpose of the plan, as single audits. However, 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.

- 3.2 In addition, for 2009/10, 120 days of audit work will be provided to the Cleveland Fire Authority.
- 3.3 Further details are provided in Appendix A of the focus of coverage across the council.

4 DELIVERING THE AUDIT

- 4.1 Regular liaison is an essential feature of an effective and responsive audit function. In this context, Internal Audit will:
- Have frequent meetings with departments to discuss the short term audit program, any current departmental issues which may benefit from an audit review and provide the opportunity to raise any concerns with the audit services provided
 - Following audit reviews, agree action plans scheduling recommendations, identifying responsibilities and timescales for action
 - Carry out follow up work to monitor the effectiveness of management in actioning audit recommendations
 - Ensure audit recommendations are focused on improving controls and delivering benefits to the Council.
 - Provide feedback to the Chief Financial Officer and Members on progress on the audit plan and the outcomes of audit work.

5 INTEGRATION

- 5.1 Although Internal Audit and the Audit Commission carry out their work with different objectives, it is good professional practice that both parties should work closely together, which is a principle that the Council has always been committed to.
- 5.2 The arrangements for ensuring effective joint working are formalised into a Joint Protocol Agreement, which ensured that the overall audit resources are most effectively focused and duplication is mitigated.

6 RECOMMENDATION

- 6.1 It is recommended that Members approve the 2009/2010 Internal Audit Plan.

Appendix A

Organisational Area	Audit Area	Days
Childrens	Adoption	0
Childrens	Adult Education	0
Corporate	Age Discrimination Act	0
Adults	Allotment Rentals	0
Neighbourhood Services	Asset Management	5
Chief Executives	Asset Register - Capital Accounting	10
Chief Executives	Assisted Car Purchase	0
Corporate	Attendance Management	10
Childrens	Barnard Grove Primary School	0
Chief Executives	Benefits - Housing & Council Tax	20
Adults	Book Fund	0
Childrens	Brougham Primary School	0
Corporate	Budgetary Control	20
Regeneration and Planning	Building & Development Control Income	0
Neighbourhood Services	Building Maintenance	0
Childrens	Building Schools for the Future / Primary Capital	0
Corporate	BVPI's	50
Neighbourhood Services	Car Parking - Blue Badge Scheme	5
Neighbourhood Services	Car Parking - Income	10
Adults	Carefirst System	10
Childrens	Carlton Centre	0
Corporate	Cash/Bank	5
Childrens	Catcote Special School	0
Adults	Catering	0
Adults	Cemeteries & Crematoriums	0
Chief Executives	Central Land Charges	50
Chief Executives	Central Printing	0
Childrens	Children Centres	10
Childrens	Childrens Fund	10
Childrens	Childrens Trust	5
Chief Executives	Claim Adjustor Reviews	0
Childrens	Clavering Primary School	7
Neighbourhood Services	Cleaning of Buildings	0
Corporate	Communication - Land Lines	5
Corporate	Communication - Mobile Phones	5
Adults	Community Care	5
Adults	Community Grants	0
Regeneration and Planning	Community Safety	10
Regeneration and Planning	Community Strategy	0
Corporate	Complaints Procedure	5
Corporate	Computer Audit	80
Childrens	Connexions	5
Childrens	Consistent Financial Reporting	5
Chief Executives	Contact Centre	5
Neighbourhood Services	Contaminated Land	0
Corporate	Contracts	30
Adults	Contracts & Commissioning	8
Corporate	Corporate Manslaughter Act	5

Corporate	Corporate Postages & Franking	0
Chief Executives	Council Tax	15
Adults	Court Of Protection	0
Corporate	CRB	10
Corporate	Creditors	15
Corporate	Data Quality – Data Protection Act	0
Corporate	Data Quality – Freedom of Information Act	0
Corporate	Debtors	15
Chief Executives	Democratic Services	10
Childrens	Devolved Capital/Asset Management	5
Adults	Direct Payments	5
Corporate	Disabled Discrimination Act	0
Childrens	Dyke House Secondary School	7
Corporate	E - Government Strategy	0
Regeneration and Planning	Economic Development	10
Childrens	Education 14 - 19	0
Childrens	Education Development Centre	0
Childrens	Eldon Grove Primary School	0
Childrens	Elwick C Of E Primary School	7
Corporate	Emergency Planning	0
Corporate	Employee Protection/Violence Register	5
Corporate	Employees Registers of Interest/Gifts and Hospitalities	5
Neighbourhood Services	Energy Management	10
Childrens	English Martyrs Secondary School	7
Neighbourhood Services	Environmental Enforcement - Abandoned Vehicles/Fly Tipping	0
Neighbourhood Services	Environmental Enforcement - Dog Fouling Income	0
Neighbourhood Services	Environmental Enforcement - Dog Warden Service	5
Childrens	Fens Primary School	7
Childrens	Foreshore Management	0
Childrens	Fostering	0
Corporate	Fraud Awareness	25
Childrens	Free School Meals	0
Childrens	Golden Flatts Primary School	0
Childrens	Governor Support	5
Childrens	Grange Primary School	0
Childrens	Greatham C of E Primary School	0
Neighbourhood Services	Ground Maintenance/Horticulture	5
Neighbourhood Services	Hackney Carriages	0
Childrens	Hart Primary School	7
Adults	Havelock Day Centre	0
Corporate	Health and Safety	10
Childrens	High Tunstall Secondary	7
Neighbourhood Services	Highways - Repairs and Maintenance	0
Neighbourhood Services	Highways - Street Cleansing	5
Adults	Hire Of Community & Public Halls	0
Childrens	Holy Trinity C Of E Primary School	7
Adults	Home Care	5
Regeneration and Planning	Housing Aid/Homelessness	0
Chief Executives	Housing Hartlepool	0
Regeneration and Planning	Housing Market Renewal	10
Regeneration and Planning	Housing Strategy	10
Regeneration and Planning	Improvement/Renovation/Disabled Facilities Grants	0

Childrens	Individual School Budgets	10
Regeneration and Planning	Industrial Estate Lettings/Rental	0
Corporate	Information/Data Management	10
Chief Executives	Insurances	0
Neighbourhood Services	Integrated Transport Unit	25
Childrens	Jesmond Primary School	0
Chief Executives	Job Evaluation Payments	10
Childrens	Kingsley Primary School	0
Regeneration and Planning	LAA/LSP/ABG	10
Regeneration and Planning	Landscape Planning and Conservation	0
Adults	Learning Disability Services	10
Adults	Libraries	0
Neighbourhood Services	Licensing	0
Chief Executives	Loans & Investments	5
Childrens	Looked After Children	5
Childrens	Lynnfield Primary School	0
Chief Executives	Main Accounting	20
Childrens	Manor College Of Technology	7
Neighbourhood Services	Market Rents	0
Adults	Meals On Wheels	0
Chief Executives	Members Allowances/Travel/Subsistence	10
Chief Executives	Members Code of Conduct	0
Adults	Mental Health Services	10
Chief Executives	Middleton Grange Shopping Centre	5
Neighbourhood Services	Milk Grant	0
Adults	Millhouse Leisure Centre/Headland Sports Centre	5
Chief Executives	Mortgages	0
Childrens	Music Service (Joint Arrangement)	0
Regeneration and Planning	Neighbourhood Renewal	10
Chief Executives	National Fraud Initiative	10
Chief Executives	National Non Domestic Rates	10
Adults	Nursing & Residential Accommodation Charges	7
Corporate	Officers Expenses	10
Adults	Open Spaces	0
Childrens	Owton Manor Primary School	7
Adults	Parks Income	0
Corporate	Partnerships (UoR/CPA/CAA)	40
Adults	Pensions, Allowances & Client Property	0
Corporate	Performance Management Systems	5
Neighbourhood Services	Pest Control, Licences, Public Health Income	0
Corporate	Petty Cash	0
Adults	Physical Disability Services	10
Corporate	Public Interest Disclosure Act	0
Adults	Placements	5
Adults	Playing Fields & Lettings	0
Adults	Playschemes (Easter & Summer)	0
Corporate	Proceeds of Crime Act	0
Neighbourhood Services	Procurement	20
Corporate	Public Relations	0
Childrens	Pupil Referral Unit	0
Childrens	Pupil Support/Admissions	5
Corporate	Recruitment, Selection and Retention	5

Neighbourhood Services	Recycling/Landfill	5
Corporate	Redundancies	0
Adults	Registrars	0
Adults	Registration & Inspection	0
Adults	Resource Centres	0
Childrens	Rift House Primary School	0
Corporate	Regulation of Investigatory Powers Act	0
Corporate	Risk Management	10
Childrens	Rossmere Primary School	0
Childrens	S.E.N. Support	5
Childrens	Sacred Heart Primary School	0
Chief Executives	Salaries	7
Corporate	Scheme of Delegation	5
Neighbourhood Services	School Catering Recharges	0
Childrens	School Improvement	5
Childrens	Seaton Carew Nursery	0
Adults	Section 17 Payments	0
Childrens	SIMS System	10
Childrens	Springwell Spedal School	0
Childrens	St. Aidans Primary School	0
Childrens	St. Begas Primary School	0
Childrens	St. Cuthbert's Primary School	0
Childrens	St. Helens Primary School	0
Childrens	St. Hilds	7
Childrens	St. John Vianney Primary School	0
Childrens	St. Josephs Primary School	0
Childrens	St. Teresa's Primary School	0
Neighbourhood Services	Stores	5
Childrens	Stranton Primary	0
Adults	Summerhill	0
Adults	Supporting People	10
Neighbourhood Services	Sustainability	5
Childrens	Throston Primary School	0
Adults	Tourism - Historic Quay/Museum/TIC	0
Adults	Tourism - Maritime Festival	0
Adults	Tourism - Strategic Arts and Events	0
Adults	Tourism - Tall Ships	5
Adults	Tourism - Town Hall Theatre/Borough Hall	6
Neighbourhood Services	Trade Refuse/Special Collections	0
Neighbourhood Services	Trading Standards	0
Corporate	Training	0
Neighbourhood Services	Transport Plan	0
Chief Executives	V.A.T.	5
Chief Executives	Wages	7
Childrens	Ward Jackson Primary	0
Adults	Warren Road	0
Childrens	West Park Primary	0
Childrens	West View Primary School	0
Regeneration and Planning	Youth Services	5
	ADMINISTRATION	
Corporate	Training/Development	50

Corporate	Administration	96
Corporate	Contingency/Advice/Support/Special Investigations	100
	CFA	
CFA	Asset Management	0
CFA	Assisted Car Purchase Scheme	0
CFA	Creditors	9
CFA	Debtors	9
CFA	Fleet Management	5
CFA	Full Time Fire Stations	8
CFA	Grant Administration	5
CFA	Income	0
CFA	Insurances	0
CFA	Inventories	6
CFA	IT Management	5
CFA	Officers Expenses	9
CFA	Part Time Fire Stations	0
CFA	Payroll	10
CFA	Pensions	6
CFA	Procurement	8
CFA	Retained Firefighter Claims	4
CFA	Stores	9
CFA	Training School	5
CFA	VAT	0
CFA	Young Firefighters Association	0
CFA	National Fraud Initiative	5
CFA	Analytical Review	2
CFA	Corporate Governance Issues	10
CFA	Advice & Support	5
	TOTAL	1338
	Holidays	236
	Sickness	40
	Bank Holidays	56

AUDIT COMMITTEE

18 December 2008



Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT CHARTER

1. PURPOSE OF REPORT

To inform Members of the updated Internal Audit Charter attached as Appendix A to the report.

2. BACKGROUND

- 2.1 In order to ensure that the purpose, authority and responsibility of Internal Audit is formally defined and consistent with the requirements of the Code of Practice for Internal Audit in Local Government in the United Kingdom, the Head of Audit and Governance must produce an audit charter.
- 2.2 The charter is effectively the terms of reference for Internal Audit and fulfils the following roles:
- Establishes the responsibilities and objectives of Internal Audit.
 - Establishes the organisational independence of Internal Audit.
 - Establishes the accountability and relationships between the Head of Audit and Governance and those charged with governance.
 - Recognises that internal audits remit extends to the entire control environment.
 - Require and enables the Head of Audit and Governance to deliver an annual audit opinion.
 - Establishes Internal Audits right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

3. RECOMMENDATION

That the Audit Committee approves the Internal Audit Charter.

Appendix A



HARTLEPOOL BOROUGH COUNCIL

INTERNAL AUDIT CHARTER

HARTLEPOOL BOROUGH COUNCIL

INTERNAL AUDIT CHARTER

1 INTRODUCTION

- 1.1 This document establishes the role and terms of reference of the Internal Audit function within Hartlepool Borough Council.

It has been framed to provide an effective internal audit service, to meet the needs of the Council and to accord with the requirements and guidelines of;

- Section 151 of the Local Government Act 1972;
- The Accounts and Audit Regulations 2006;
- The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006;
- The Standards of the Institute of Internal Auditors.

- 1.2 It is the intention to review these Terms of Reference annually to ensure their relevance is maintained. Amendments will be subject to the agreement of the Section 151 Officer and Members of the Audit Committee.

2 PURPOSE

- 2.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment by evaluating its effectiveness in achieving the organisations objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources (*CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006*).

- 2.2 To fulfil this role Internal Audit within Hartlepool Borough Council is required:

- To provide an annual written report to the Audit Committee which includes an opinion on the overall adequacy and effectiveness of the organisations control environment that supports the Annual Governance Statement;
- To review, appraise and report regularly on the soundness, adequacy and application of internal controls to management and the Audit Committee;
- To provide Management and Members of the Council with information, analysis, appraisal, recommendations, advice and assurance in order to assist them in the effective discharge of their responsibilities;
- To verify the existence and the means of safeguarding all assets;

- To plan audit work, having regard to this Charter, proper internal audit practices, the council's constitution and relevant statutes and regulations.

3 AUTHORITY

- 3.1 The authority of the Internal Audit function is derived from legislation mentioned in paragraph 1.1 and the Council's Constitution.
- 3.2 The requirement for an internal audit function for Local Authorities is implied by Section 151 of the Local Government Act 1972, which requires that Authorities "make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs". The Accounts and Audit Regulations 2006 regulation 4, specifically require that "a review of the effectiveness of systems of internal control be considered by a committee of the relevant body" and regulation 6 requires relevant bodies to conduct an annual review of the effectiveness of its system of internal audit and for a committee of the body to consider the findings. Under the Councils constitution the Audit Committee undertakes this role.

4 SCOPE

- 4.1 The scope of Internal Audits remit covers the organisations entire control environment. This includes all of the Councils operations, resources, services and responsibilities in relation to other bodies.
- 4.2 The Head of Audit and Governance determines internal audit's priorities by preparation of a strategic audit plan based on assessed risk. This is reported to the Section 151 Officer, Corporate Management Team and the Audit Committee. In determining these priorities the Head of Audit and Governance takes into account the organisations assurance and monitoring mechanisms, including risk management arrangements.
- 4.3 In order to fulfil its role and be able to carry out their duties effectively, audit staff shall have access at all reasonable times to:
- All assets, documents, accounts, property, vouchers, records, correspondence and other information and data of the Council which are necessary for the proper performance of their duties. Such access shall be granted on demand and not subject to prior notice;
 - Any Council employee or agency employee, to obtain information and explanations deemed necessary to form an opinion on the adequacy of systems and / or controls.
- 4.4 All officers and Members of the Council are required to render assistance to internal auditors in the conduct of their audits. These requirements are enshrined within the council's constitution.
- 4.5 It is management's responsibility to maintain the internal control system and to ensure that the Council's resources are properly applied in the manner and on the activities intended. This includes responsibility for the prevention and detection of fraud and other illegal acts.

- 4.6 It is the internal auditor's responsibilities to have sufficient knowledge of fraud to be able to identify indicators that fraud might have been committed. This knowledge includes the need to know that characteristics of fraud, the techniques used to commit fraud, and the types of fraud associated with the activities audited. An internal auditor should have regard to the possibility of such malpractice and should seek to identify serious defects in internal control, which might permit the occurrence of such an event.

5 INDEPENDENCE

- 5.1 Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations. Internal auditors have no operational responsibilities.
- 5.2 Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Head of Audit and Governance has direct access and freedom to report in his own name and without fear or favour to all officers and members and particularly to those charged with governance.
- 5.3 Accountability for the response to the advice and recommendation of Internal Audit lies with management, who either accept and implement the advice or formally reject it. The outcome of all recommendations is reported to the Audit Committee for their consideration.

6 RESOURCES

- 6.1 Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to this Charter and Standards. Internal Auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.
- 6.2 The Head of Audit and Governance is responsible in conjunction with the CFO and ACFO for appointing the staff of the Internal Audit Section and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills. The Section maintains an annually updated Training and Development Analysis Plan which sets out an ongoing development programme for Internal Audit staff.
- 6.3 The Head of Audit and Governance is responsible for ensuring that the resources of the Internal Audit Section are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby he concluded that resources were insufficient, he must formally report this to the Chief Executive, the Section 151 Officer, and, if the position is not resolved, to the Audit Committee.

AUDIT COMMITTEE

18 December 2008



Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT STRATEGY

1. PURPOSE OF REPORT

To inform Members of the updated Internal Audit Strategy attached as Appendix A to the report.

2. BACKGROUND

- 2.1 In order to comply with the requirements of the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 and the Accounts and Audit Regulations, the Head of Audit and Governance must produce an audit strategy.
- 2.2 The strategy attached updates the previous document and is a high level statement of how the internal audit service will be delivered and developed in accordance with its charter and how it links to organisational objectives and priorities. The strategy is included as part of the Internal Audit Manual and sets the context within which more detailed plans are developed.
- 2.3 The strategy communicates the contribution that Internal Audit makes to the council and includes:
- Internal Audit objectives and outcomes.
 - How the Head of Audit and Governance will form and evidence the opinion on the control environment.
 - How the service will be provided.
 - The resources and skills required to deliver the strategy.

3. RECOMMENDATION

That the Audit Committee approves the Internal Audit Strategy

Appendix A



HARTLEPOOL BOROUGH COUNCIL

INTERNAL AUDIT STRATEGY

AUDIT STRATEGY

Strategy Statement

The overall Strategy of Internal Audit is:

“To deliver a risk-based audit plan in a professional, independent manner, to provide the organisation with an opinion on the level of assurance it can place upon the internal control environment, and to make recommendations to improve it.”

1 Statutory basis for Internal Audit

- 1.1 The requirement for an Internal Audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2006 regulation 4, specifically require that “a review of the effectiveness of systems of internal control be considered by a committee of the relevant body”

2 Definition and Objective

- 2.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment by evaluating its effectiveness in achieving the organisations objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources (The control environment includes all authority operations, resources, services, and its responsibilities to other bodies).
- 2.2 To comply with the Accounts and Audit Regulations, the authority completes an Annual Governance Statement to demonstrate the robustness of its arrangements, and Internal Audit will form an important part of providing this enhanced assurance. Internal Audit also has a role in advising managers in relation to issues within its remit, e.g. appropriate controls in new projects/developments.

3 Status

- 3.1 Internal Audit is responsible to the ACFO Corporate Finance, for line management purposes, and helps to deliver the statutory financial responsibilities of the CFO (see above). However, Internal Audit is independent in its planning and operation, and has no responsibility for delivering or managing non-audit services.
- 3.2 The Head of Audit and Governance shall have direct access to the Head of Paid Service (Chief Executive), all levels of management and elected members. Internal Auditors shall have the authority to:
- Enter at all reasonable times any Council establishment.
 - Have access to all records, documents, information and correspondence relating to any financial and other transaction as considered necessary.
 - Evaluate the adequacy and effectiveness of internal controls designed to secure assets and data to assist management in preventing and deterring fraud.

- Request explanations as considered necessary to satisfy themselves as to the correctness of any matter under examination.
- Require any employee of the Council to produce cash, materials or any other Council property in their possession or under their control.
- Access records belonging to third parties, such as contractors or partners, when required and appropriate.

4 Delivery of the audit service

- 4.1 The Head of Audit and Governance is responsible for delivering the audit service in accordance with its Charter. To ensure that this can be achieved, there are appropriate arrangements for:
- Determining and planning the work to be carried out (i.e. an audit plan based on an assessment of the risk);
 - Providing the resources required to deliver the audit plan (principally the level of staff and external input), the necessary skills (both in general audit and technical areas) and support facilities (such as IT facilities, equipment and management and administration processes)
- 4.2 The Internal Audit service will be delivered on the basis of a Strategic Audit Plan which sets out the number of audit-days required for Internal Audit to adequately review the areas involved. The over-riding objective of this approach is to ensure that Internal Audit is able to present an opinion on the control environment by directing adequate resources based on the relative risks of the operations, resources and services involved, using a formal risk assessment process. The risk assessment process takes account of a range of strategic, corporate, service and operational risks (including those identified through the Risk Management process and by the external auditor) and the views of senior management on these issues. Where resources available are not considered by the Head of Audit and Governance to be adequate for such an opinion to be provided, this will be reported to the CFO.
- 4.3 The Plan balances the following requirements:
- The need to ensure the Audit Plan is completed to a good practice level (currently at least 90%);
 - The need to ensure core financial systems are adequately reviewed to provide assurance that management has in place proper arrangements for financial control (on which External Audit will place reliance);
 - The need to appropriately review other strategic and operational arrangements;
 - The need to have uncommitted time available to deal with unplanned issues which may need to be investigated;
 - To enable positive timely input to assist corporate and service developments.
- 4.4 A joint working arrangement with External Audit will be operated in order to ensure that Internal Audit resources are used as effectively as possible.

The Head of Audit and Governance will keep progress against the audit plan, and the content of the plan itself under review, in liaison with the ACFO Corporate Finance and the CFO, and through monitoring corporate and service developments. Where there is a need for material changes to the plan (i.e. affecting over 20% of the planned assignments) a revised plan will be re-

submitted to the audit committee for approval. The audit committee will also be advised of performance against the audit plan and on relevant indicators under the performance management framework.

- 4.5 Internal Audit will comply with the Auditing Practices Board's *Guidance for Internal Auditors*, as interpreted by CIPFA's *Code of Practice for Internal Audit in Local Government in the UK*, and staff are expected to comply with any other appropriate professional standards. The Head of Audit and Governance will ensure that there is an up to date *Audit Manual* in place setting out expected standards for the service, and will monitor compliance with these standards, including in relation to the planning, conduct and reporting of audit assignments. Relevant training will be provided to ensure auditors have the level of skills necessary to undertake their roles.
- 4.6 Where necessary to ensure an adequate, effective and professional audit service is provided; the Head of Audit and Governance will buy in resources from external providers to supplement internal resources. Internal Audit will aim to co-operate effectively with the external auditor and ensure that appropriate reliance can be placed on Internal Audit's activities.
- 4.7 The reporting approach for Internal Audit is set out in the audit manual and Internal Audit shall comply with this protocol as the most efficient method of delivering the outcomes of its work. In the delivery of each assignment, Internal Audit will look to make practical recommendations based on the findings of the work and discuss these with management such that management commit to an appropriate action plan for implementing any necessary improvements to the control environment.

5 Audit Environment

- 5.1 In order to ensure full and adequate audit coverage, the first step of audit planning will be the identification of the audit environment. This assessment will be made using knowledge, experience, discussion among the audit team, and liaising with finance and departmental directors.

6 Risk Assessment

- 6.1 Once the audit environment is identified, the Head of Audit and Governance will consider a risk assessment of each element of the environment. The Head of Audit and Governance will start audit planning by considering management's own assessment of risk, having first established that the risk register has been properly compiled and that it is a strong basis upon which to plan work. In order to assess the identified areas in terms of risk, the following factors have been adapted from CIPFA's risk assessment package to better fit the audit environment at Hartlepool:

- **System Factors**
The stability and complexity of the system.
- **Managerial and Control Environment**
Previous internal audit findings, client track record in responding, external audit comments, division of duties, perceived quality of staff, staff turnover and existence and quality of procedures.
- **Value of Transactions**
The materiality of the total monetary value the population of the auditable area.

- **Volume of Transactions**

The total population of transactions generated by the system.

- **Opinion Critical**

The overall impact on the internal control environment opinion.

- **Legal Penalties**

The consequences of weakness leading to legal action.

6.2 Every auditable area will be allocated a mark out of 10 for each factor. The total score for each auditable area will be ranked, with the highest scoring areas being those facing the greatest risk. The following risk scores will dictate whether the auditable areas are subject to audit annually or to be reassessed the following year:

- Score 250 or more: annual coverage
- Score 249 or less: reassess annually

7 Resourcing the Plan

- 7.1 The Head of Audit and Governance will calculate the anticipated resources needed for the period under question. The calculation starts with the total available days, based on the number of staff in post and taking account of any staff movements. From this figure, allowances for annual leave, bank holidays and anticipated sickness are deducted to arrive at the number of productive days available.
- 7.2 Having obtained the results of the risk assessment process and determined the resources at the disposal of the Head of Audit and Governance, an audit plan for the period in question will be prepared. The plan will include a contingency provision to provide for tasks and reviews that were not foreseen when the plan was made or for emerging risks. The Head of Audit and Governance will determine whether the resources available are sufficient to allow a robust opinion on the state of the internal control environment. If, in the opinion of the Head of Audit and Governance, there are insufficient resources available, this will be reported to the CFO and/or the audit committee.
- 7.3 The likely outcome of such a report might include the provision of additional resources to review the identified risks or an acceptance that an increased level of risk must be borne by the authority. The CFO and Audit Committee will approve the plan.

8 Monitoring and Controlling

- 8.1 Effective management of the delivery of the audit plan is fundamental to ensuring that sufficient audit coverage is achieved. Factors that are taken into account include the timing of specific audits during the course of the year and the allocation of audits to those staff with the appropriate skills and experience to complete the task.
- 8.2 To help monitor and control the plan, all audit staff are instructed to use their individual electronic timesheets held on the shared drive within the audit plan file. The timesheets are to be completed on a daily basis with the work undertaken during that period using the codes identified for each area of work as listed in the annual audit plan. Analysis of staff time is produced by the time recording system, which allows comparison of actual output against the

audit plan at individual, team and total level. The Head of Audit and Governance will prepare a summary report for the CFO and audit committee, outlining major variations and their impact on the ability of Internal Audit to complete its planned work for the year, stating clearly what effect this may have on its ability to measure the robustness of the authority's overall internal control environment for the period.