

AUDIT COMMITTEE AGENDA



Thursday, 19 March 2009

at 10.00 am

in Committee Room B

MEMBERS: 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 18 December 2008

4. ITEMS FOR DISCUSSION/DECISION

- 4.1 Audit Commission Report - Annual Audit And Inspection Letter – *Chief Financial Officer*
- 4.2 Internal Audit Plan 2008/09 Update - *Head of Audit and Governance*
- 4.3 Code Of Corporate Governance – *Head of Audit and Governance*
- 4.4 Review Of The Effectiveness Of The System Of Internal Audit – *Chief Financial Officer*
- 4.5 Data Quality - *Assistant Chief Executive*

5. ANY OTHER ITEMS WHICH THE CHAIR CONSIDERS ARE URGENT

AUDIT COMMITTEE

MINUTES AND DECISION RECORD

18 December 2008

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

Present:

Councillor Arthur Preece (In the Chair)

Councillors Gerard Hall, Michelle Plant, Mike Turner

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

Also Present Diane Harold, Audit Commission

20. Apologies for Absence

Apologies had been received from Councillors Chris McKenna and Carl Richardson.

21. Declarations of Interest by Members

There were no declarations of interest.

22. Minutes of the meeting held on 30 September 2008

The minutes were confirmed as an accurate record.

23. Audit Commission Report – Progress Report (Chief Financial Officer)

Purpose of Report

The report was presented in order to inform Members that arrangements had been made for a representative of the Audit Committee to be in attendance at the meeting to present the content of the Audit Commission's Progress Report.

Issues for Consideration

The representative from the Audit Commission presented the report

which set out the progress against the audit plan and covered reports and key messages on recent work.

The Medium Term Financial Strategy (MTFS) had been received as part of the 2007/08 audit and inspection plan. This was as a result of findings at the last Corporate Assessment that the Council did not have a formal approach to medium term financial planning although it had a good framework for performance management. The review compared the Council's current MTFS against best practice and highlighted areas for improvement including the need to amalgamate a number of documents so that policies were contained in one document. A detailed action plan had been drawn up which should be implemented in 2009/10.

There had been a review of data quality to ensure that published performance information was accurate. Sample testing of 5 performance indicators (PIs) had found errors in 3 but it was stressed that these were not deliberate errors, but errors in the way that data had been collected. In response to this, staff training had been arranged and the Head of Audit and Governance agreed to provide members of the Audit Committee with the data quality policy. Scores for financial reporting, financial management, financial standing, internal control and value for money were outlined. There was to be a new system of resource assessment for 2009 and it was envisaged that it would be harder to achieve a higher score on this assessment as it was judged on outcomes as opposed to processes. The importance of good governance underpinning good performance and having an effective embedded governance framework would also be highlighted by the new assessment.

Work currently being undertaken included a review of the arrangements in place for the Building Schools for the Future a review of the draft strategy for working with the voluntary sector. The Council's external website had also been reviewed which had identified some existing good practice but highlighted a couple of areas for improvement.

The Audit Commission representative highlighted publications available from the Audit Commission which were relevant to the Council including the latest consultation on the new Comprehensive Area Assessment framework which replaced the star ratings with a red/green flag system indicating bad or good practice. It was noted however that if a flag was not awarded it indicated adequate performance. Concerns were expressed by Members on how the Press would cover the assessments.

Decision

Members noted the report of the Audit Commission

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

Purpose of Report

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

Issues for Consideration

The Head of Audit and Governance indicated that Appendix A of the report circulated previously outlined details of the pieces of work that were complete and Appendix B outlined audits that were ongoing at the time of compiling the report. He outlined how data had been sent in relation to the National Fraud Initiative. It was highlighted that although there were a lot of recommendations put forward for primary schools there was no cause for concern with this.

Decision

Members noted the contents of the report.

25. Internal Audit Plan 2009/10 *(Head of Audit and Governance)*

Purpose of Report

The report was presented in order to inform Members of the direction of internal audit activity and to seek approval of the annual operational Internal Audit Plan for 2009/10.

Issues for Consideration

The Head of Audit and Governance reminded Members that all aspects of the Council's systems and arrangements could not be audited in one year. In recognition of this a Strategic Audit Plan had been prepared using a risk model based on the model accredited by the Chartered Institute of Public Finance and Accountancy (CIPFA) to ensure that all relevant risk areas were covered.

A Member highlighted increased workload pressures in Adult and Community, and Children's Services and asked whether there was a mechanism to measure caseload increases. The Head of Audit and Governance stated that any causes for concern would be highlighted to managers who would be asked to make suggestions on how to mitigate risks.

Decision

Members approved the 2009/10 Internal Audit Plan.

26. Internal Audit Charter *(Head of Audit and Governance)*

Purpose of Report

The report was presented to inform Members of the updated Internal Audit Charter which had been attached as Appendix A to the report.

Issues for Consideration

The charter was effectively the terms of reference for Internal Audit which were:-

- ❖ To establish the responsibilities and objectives of Internal Audit
- ❖ To establish the organisational independence of Internal Audit
- ❖ To establish the accountability and relationships between the Head of Audit and Governance and those charged with governance
- ❖ To recognise that internal audits remit extends to the entire control environment
- ❖ To enable the Head of Audit and Governance to deliver an annual audit opinion
- ❖ To establish internal audit's 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

Decision

The Members approved the internal audit charter.

27. Internal Audit Strategy *(Head of Audit and Governance)*

Purpose of Report

The report was given in order to inform Members of the updated Internal Audit Strategy which had been attached as Appendix A

Issues for Consideration

The Head of Audit and Governance outlined how the strategy was a statement of how the internal audit service would be delivered and developed in accordance with its charter and how it linked to the organisational objectives and priorities.

The strategy communicated the contribution that internal audit made to the council including:-

- ❖ Internal Audit objectives and outcomes
- ❖ How the Head of Audit and Governance would form and evidence the opinion on the control environment
- ❖ How the service would be provided
- ❖ The resources and skills required to deliver the strategy

A Member queried whether the Audit Section had sufficient resources to carry out the strategy and was informed that the department had recently invested in new software and laptops to ensure that the department was more efficient and effective. The Chief Financial Officer praised the Head of Audit and Governance and his department and stated that they would be entered for the Cliff Nicholson Award for Innovation and Excellence in Audit 2009.

Decision

The Audit Committee approved the Internal Audit Strategy.

The meeting concluded at 10.50 am.

A PREECE

CHAIRMAN

AUDIT COMMITTEE

19 March 2009



Report of: Chief Financial Officer

Subject: AUDIT COMMISSION REPORT - ANNUAL
AUDIT AND INSPECTION LETTER

1. PURPOSE OF REPORT

- 1.1 To inform Members of the Audit Committee that arrangements have been made for a representative from the Audit Commission to be in attendance at this meeting, to present the results of the Audit Commissions Annual Audit and Inspection Letter.

2. BACKGROUND

- 2.1 The Audit Commission present the Annual Audit and Inspection Letter to provide an overall summary of their assessment of the Council. It draws on the findings and conclusions from the audit of the Council and from the Corporate Assessment and inspections that have been undertaken in the last year and from a wider analysis of the Council's performance and its improvement over the last year, as measured through the Comprehensive Performance Assessment (CPA) framework.

3. FINDINGS OF THE AUDIT COMMISSION

- 3.1 Attached, as Appendix 1, is the Audit Commission Annual Audit and Inspection Letter. The main messages for the Council included in this report are:
- The Council is improving strongly and remains a four-star council. There have been continued improvements in priority areas including further improvement in educational attainment, which is well above that for similar councils. The Council recognises that continuing to raise the level of ambition and aspiration amongst the school leaver and adult population remains a challenge.
 - The Council provides good value for money. While costs are sometimes high, these are generally accompanied by good quality services and outcomes in the context of the level of deprivation in Hartlepool. Arrangements for improving value for money are sound and the Council has embarked on an ambitious business transformation programme aimed at

securing significant improvements in value for money against the backdrop of the current difficult economic climate.

- An unqualified opinion was given on the accounts, however significant amendments were required.
- The Council's arrangements in place to ensure effective use of resources remain good overall although there is scope for improvement in financial management arrangements and financial reporting which were assessed as only meeting minimum requirements in our Use of Resources assessment. Improvement is also needed in data quality arrangements to ensure that reported data is reliable and accurate.

3.2 In relation to the unqualified opinion on the accounts and the amendments agreed during the audit of the accounts, a number of issues are in accounting terms classified as “adjusting misstatements”. However, these changes have not affected the level of the Authority's reserves or the Authority's overall cash position. These issues were reported in the Audit Commission's Annual Governance Report, which was considered at your meeting on 30th September 2008. These issues are also included in the Annual Audit and Inspection letter to provide a comprehensive summary of the Audit Commission's assessment of the Council.

3.3 The main changes agreed with the Auditor relates to the accounting entries which are required to implement the new Capital Accounting requirements. These changes reflect clarification of the initial SORP guidance (Statement of Recommended Practice) regarding this issue and in particular the clarification of how Government Grants Deferred should be accounted for. As a result of this change the balance on the Income and Expenditure Account for 2007/08 was changed from a surplus of £21.788m, to a deficit of £5.155m.

3.4 There have also been offsetting amendments to the Statement of Movement on the General Fund Balance which means this statement ends with the value of General Fund Balances of £17.269m, which is the figure reported in June 2008. The detailed Balance Sheet note for the General Fund Balance has been amended to reflect Members comments in June 2008 to clarify what the different components of this amount are earmarked for.

3.5 Paragraph 47 of the report mentions the Authority's year end bank reconciliation. This was completed on 3rd April 2008, rather than 31st March 2008. This delay was owing to problems with the automated year end close down procedures. These issues have now been resolved and will not re-occur. As a result the “Cash and Bank” figure on the Balance Sheet at 31st March revised. This was offset by a corresponding change to the value of creditors. As I have previously advised Members this position did not exposure the Authority to any financial risk, nor was it indicative of a failure of internal control as the Authority's bank account was reconciled on a daily basis during

2007/08. These arrangements are ongoing as this is a key financial control. Additional controls have been put in place to strengthen the year end reconciliation arrangements.

- 3.6 Paragraph 47 of the report mentions that an investment was inadvertently made from Cleveland Fire Authority's (CFA) bank account instead of the Council's bank account. The CFA bank account is managed by my staff under authority delegated by the CFA's Treasurer. This issue was identified the following morning when the bank account was reconciled. Corrective action was taken to reinstate this money to the CFA's bank account to ensure there was no overall financial impact on either the CFA or the Council. Additional controls have been put in place to strengthen arrangements. In addition, the Council and the Fire Authority have agreed to establish a "pooled investment fund" for the joint management of their investments. The objective of this arrangement is to enable both organisations diversify their investments portfolio and thereby reduce counter party risk. The "pooled investment fund" is governed by a specific legal agreement.

4. RECOMMENDATIONS

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

Annual Audit and Inspection Letter

Hartlepool Borough Council

Audit 2007/08

March 2009



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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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Key messages

- 1 The Council is improving strongly and remains a four-star council. There have been continued improvements in priority areas including further improvement in educational attainment, which is well above that for similar councils. The Council recognises that continuing to raise the level of ambition and aspiration amongst the school leaver and adult population remains a challenge.
- 2 The Council provides good value for money. While costs are sometimes high, these are generally accompanied by good quality services and outcomes in the context of the level of deprivation in Hartlepool. Arrangements for improving value for money are sound and the Council has embarked on an ambitious business transformation programme aimed at securing significant improvements in value for money against the backdrop of the current difficult economic climate.
- 3 An unqualified opinion was given on the accounts however significant amendments were required.
- 4 The Council's arrangements in place to ensure effective use of resources remain good overall although there is scope for improvement in financial management arrangements and financial reporting which were assessed as only meeting minimum requirements in our Use of Resources assessment. Improvement is also needed in data quality arrangements to ensure that reported data is reliable and accurate.

Action needed by the Council

5 Key actions for the Council include:

- ensure that constant attention is focused on work to combat inequalities experienced by local people, with a particular emphasis on raising the level of ambition and aspiration of all age groups; and
- continue to work locally, in partnership across the Tees Valley and the wider region to address the risks posed by the economic downturn.

6 The Council should ensure that governance arrangements are maintained throughout the business transformation programme.

7 In addition, the Council should:

- improve the accuracy of financial reporting and further develop the medium-term financial strategy;
- strengthen data quality arrangements including arrangements for data obtained from partners; and
- continue to build upon arrangements to ensure there are adequate governance arrangements in place for all significant partnerships, including risk management arrangements.

Purpose, responsibilities and scope

- 8 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 9 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 10 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition, the Council is planning to publish it on its website.
- 11 The appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 12 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. There were no inspections during 2007/08.
- 13 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Hartlepool Borough Council performing?

- 14 The Audit Commission's overall judgement is that Hartlepool Borough Council is improving strongly and we have classified the Council as four-star in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

Figure 1 Overall performance of STCC in CPA



Source: Audit Commission

How is Hartlepool Borough Council performing?

Our overall assessment – the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving strongly
Overall	4
Corporate assessment/capacity to improve	4 out of 4
Current performance	
Children and young people*	3 out of 4
Social care (adults)*	3 out of 4
Use of resources*	3 out of 4
Housing	4 out of 4
Environment	3 out of 4
Culture	3 out of 4
Benefits	4 out of 4

(Note: * these aspects have a greater influence on the overall CPA score)
(1 = lowest, 4 = highest)

The improvement since last year - our Direction of Travel report

Hartlepool Council is improving strongly

- 15 Services for children and young people are good with further improvement in educational attainment, which is well above that for similar councils. Social care services for adults have improved and are of very high quality; over 900 people have personal budgets so they can choose their own care services. Crime levels have reduced. Littering has reduced and recycling increased, but some environment performance has deteriorated. Housing performance has improved and is now excellent, while the benefits service retained an excellent rating. The Council is responding well to the needs of a diverse community. The Council provides good value for money. The Council has tackled areas of poor performance such as the high proportion of young people not in employment, education or training and high levels of sickness absence among staff, with positive results. The Council recognises that continuing to raise the level of ambition and aspiration amongst the school leaver and adult population remains a challenge. The Council has well thought out plans for the future, including a major business transformation programme to deliver significant improvements in value for money.

Improving outcomes

- 16 The Council has maintained its strong comparative position, with 43 per cent of key performance indicators (PIs) selected by the Audit Commission among the best 25 per cent of single tier councils, well above the average of 30 per cent. Improvements to 59 per cent of PIs have been recorded, slightly below the average, but still indicative of good improvement given the overall high level of performance. Improvements have been made in each of the Council's seven priority areas.
- 17 New business start-ups have increased, and Hartlepool has the fastest improving VAT stock per capita in Tees Valley. The gap between local and national employment rates has halved since 2002. However, there are still relatively low levels of productivity and employment and high benefit dependency. The Council provides a successful service across Tees Valley on getting people into work, collaborating with other providers.
- 18 Ofsted continues to assess Hartlepool's provision for children and young people as good. Improved results were achieved in most areas of educational attainment. Key Stage 2 results are above national averages and well above similar councils. Key Stage 3 English and mathematics have improved significantly and are well above similar areas. However, performance in science at Key Stage 3 deteriorated and is lower than in similar councils. The percentage of pupils with 5 A* to C grades at GCSE has continued to improve and is above the national average, but when English and mathematics are included, remains below average. There are no permanent exclusions in primary or secondary schools and fewer fixed-term exclusions, well below similar councils. However the Council and its partners recognise that a lack of skills and low levels of ambition and aspiration among school leavers and adults remain a challenge. There is a large gap between boys' and girls' education achievement and between young people living within disadvantaged neighbourhoods and the Borough average, in spite of some narrowing.
- 19 Social care services for adults have improved and are assessed by CSCI as good, with a number of aspects excellent. Everyone in contact with the Council's care services now undertakes a self-assessment and is given a resource allocation. They are helped to decide how they wish this to be used and over 900 people now have personal budgets. Advocacy is available across all service user groups. More carers are receiving their own assessment of needs and support. There is increased focus on early prevention measures, and a significant range of services to cater for low-level care needs.
- 20 Performance in children's social care remains good. There was a fall in the number of referrals to care services to a level close to that for similar councils, and stability of placements improved. However, the number of looked after children has increased and repeat referrals to care services tripled, so that these are both above similar councils. There are higher than average mortality rates for cancer and cardiovascular disease and a high prevalence of associated lifestyle risk factors. Inequalities in health within Hartlepool are very high.

How is Hartlepool Borough Council performing?

- 21 Hartlepool's achievement of a 34 per cent reduction in 10 different crime types compares favourably to a government target to reduce them by 15 per cent over three years ending in 2007/08. This year there were substantial reductions in violent crime, sexual offences, robberies and domestic burglaries, but a slight increase in vehicle crime. There has been a 13 per cent decrease in first time entrants to the criminal justice system, as well as a larger reduction in re-offending than similar councils. However, fear of crime is high in some areas of Hartlepool. There are high levels of alcohol misuse, binge drinking and under-age drinking.
- 22 Environment and housing: performance of environmental services varies, while housing performance improved to a top rating. Littering has reduced substantially. Private sector homes brought back into use or demolished through council action increased from 64 to 524. Over 1400 homes received free insulation. The proportion of homes built on previously developed land increased substantially, but remained among the worst 25 per cent of councils. Recycling increased substantially but the weight of waste collected per household deteriorated and is now among the worst 25 per cent of councils. The proportion of major planning applications completed within national time targets deteriorated.
- 23 The home library service expanded to reach 580 people and the 'Big Wild Read' was the most successful children's summer reading challenge in Hartlepool to date, with 508 children completing the top target of reading six books through the summer holiday. Over 200 people were trained to coach within the community or a local club.
- 24 The Council is responding positively to diversity, reaching Level 3 of the Equality Standard. 'Talking with Communities' consultations with minority communities are working well and the Council launched 'Challenging the Council Services', to involve all communities in service planning. The Council secured external finance for engaging with BME communities over road safety. A contract has been placed with the Hindu and Sikh Cultural Society to promote culturally sensitive care services. A Polish Mothers Group has been established in a library. Following consultation with people with learning difficulties, independent advocacy services have been established. Hartlepool has become the first council to achieve English Federation of Disability Sport Count Me In accreditation for its sport and recreation service.
- 25 The benefits service has retained its top rating. The revenues and benefits team received a national award for excellence in social inclusion. They introduced a money advice service to assist with hardship at an early stage, a mobile benefits service to undertake assessments during home visits and provided services at the shopping centre, libraries and community buildings. Take-up of council tax reductions for disabled people, carers and people with severe mental impairment increased dramatically.
- 26 The Council provides good value for money. While costs are sometimes high, these are generally accompanied by good quality services and outcomes, especially bearing in mind the level of deprivation in Hartlepool. Arrangements for improving value for money are sound and the Council has embarked on an ambitious business transformation programme aimed at securing significant improvements in value for money.

Progress in implementing improvement plans to sustain improvement

- 27 An updated community strategy ('Hartlepool's Ambition') providing a strong policy framework for Hartlepool for the next 15 years, was adopted in July 2008, following a widespread two year consultation. It sets out the vision that 'Hartlepool will be a prosperous, caring, confident and outward looking community, in an attractive environment, realising its potential.' The priority aims each have a set of outcomes and objectives. The neighbourhood renewal strategy has been incorporated as an integrated, cross-cutting element of the community strategy. The outcomes in the local area agreement are closely aligned with the priority aims in the community strategy. There are also seven multi-area agreement targets.
- 28 The performance management frameworks for the Council and the partnership are aligned, ensuring clear lines of accountability. Reporting processes involve executive and overview and scrutiny members, chairs of theme partnerships and the Hartlepool Partnership Board.
- 29 The corporate plan is very clear about the wide range of challenges that face the area. It sets out priority outcomes for improvement, a three-year medium term financial strategy (MTFS) and specific actions to deliver the priorities, with key milestones and performance indicators. Service plans detail the key priorities and issues facing each department over the next three years, and include a detailed action plan for the next 12 months. They show how each department will meet the key priorities in the corporate plan and cover diversity and workforce planning. However, service plans do not set out resource implications.
- 30 At the end of 2007/08 the Council reported that 96 per cent of corporate plan targets were completed or on course to be achieved. The majority of existing LAA targets were expected to be achieved, with 62 per cent on target, 16 per cent not on target, and 22 per cent uncertain at that stage. Overall, however, only just over half of PIs hit their target: 53 per cent, as against 47 per cent which did not.
- 31 The Council continues to drive forward ambitious regeneration initiatives. The Victoria Harbour project, estimated to require investment of £1bn, aims to transform 200 acres of former port land over the next 25 years. The Council has developed a refurbished enterprise centre and a new £3.5m innovation centre working through UK Steel Enterprise.
- 32 Effective action has been taken to address key areas of under- performance. New projects have been commissioned to target young people not in employment, education or training (NEET); this has resulted in reductions in NEET figures to below similar councils. There are plans to build on this success. The Supporting People Strategy was reviewed and updated in September 2007. The capacity and involvement of stakeholders to deliver the programme has been improved. An education and advertising programme has been undertaken to raise awareness of recycling and address lower satisfaction with waste collection.

How is Hartlepool Borough Council performing?

- 33 The Council has enhanced its capacity to deliver its plans. It has implemented the single status agreement. Action has been taken to reduce sickness absence from 13.5 to 10.4 days per employee. Celebrating success awards introduced in 2007 attracted over 100 nominations in 2008, double the first year. The Council's leadership and management development programme has been delivered to over 400 managers and supervisors. Tomorrows Manager Programme has been established for employees considered to be 'rising stars'. Skills for Life are supported throughout the Council, and this work led to a national award. Corporate Investors in People accreditation has been achieved.
- 34 The Council concluded that future budget challenges require a radical reappraisal. It therefore appointed advisers to analyse processes, practices and procedures. The proposed business transformation programme covers a wide range of business processes. The potential for between £6 and £7 million annual revenue savings by the end of 2011/12 has been identified. An initial budget provision of £0.5 million has been established in 2008/9 to deliver the programme, estimated to cost £1.5 million over the next four years.
- 35 Partnership working across the five Tees Valley councils is widespread, for example through Tees Valley Unlimited, and the multi-area agreement, which was one of the first to be agreed with the Government, has come out of that.

Service inspections

- 36 An important aspect of the role of the Comprehensive Area Assessment Lead (CAAL) is to work with other inspectorates and regulators who also review and report on the Council's performance. Relationship Managers share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received the following assessments from other inspectorates.

Ofsted Annual Performance Assessment

- 37 The Ofsted Annual Performance Assessment concluded that the Council makes a good contribution to improving outcomes for children and young people. The Council demonstrates a good capacity to continue to improve its services for children and young people.

Table 2 Ofsted Annual Performance Assessment 2008

Assessment judgement area	Grade
Overall effectiveness of children's services	3
Being healthy	2
Staying safe	3
Enjoying and achieving	3
Making a positive contribution	4
Achieving economic well-being	3
Capacity to improve, including the management of services for children and young people	3

Inspectors make judgements based on the following scale:
 4: outstanding/excellent; 3: good; 2: adequate; 1: inadequate.

CSCI

- 38** The Commission for Social Care Inspection (CSCI) in its annual letter gave the following ratings.

Table 3 CSCI ratings

Areas for judgement	Grade awarded
Delivering Outcomes	Good
Improved health and emotional well-being	Excellent
Improved quality of life	Excellent
Making a positive contribution	Good
Increased choice and control	Excellent
Freedom from discrimination and harassment	Good
Economic well-being	Good
Maintaining personal dignity and respect	Good
Capacity to Improve (Combined judgment)	Excellent
Leadership	Excellent
Commissioning and use of resources	Excellent
Performance Rating	3 Stars

How is Hartlepool Borough Council performing?

Benefits

- 39 From 2008 the Benefits Fraud Inspectorate has been merged with the Audit Commission which will carry out a risk-based programme of benefits inspections in the future. No such inspections were carried out in 2007/08.

The audit of the accounts and value for money

40 The appointed auditor has reported separately to the Audit Committee on the issues arising from the 2007/08 audit and has issued:

- an audit report on 30 September 2008, providing an unqualified opinion on the accounts and a conclusion on the Council's value for money arrangements to say that these arrangements are adequate; and
- a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

41 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in five areas. For the purposes of the CPA we have assessed the Council's arrangements for use of resources as follows.

Table 4

Element	2008	2007
Financial reporting: <ul style="list-style-type: none"> • including the preparation of the accounts of the Council and the way these are presented to the public. 	2	3
Financial management: <ul style="list-style-type: none"> • including how the financial management is integrated with strategy to support council priorities. 	2	2
Financial standing: <ul style="list-style-type: none"> • including the strength of the Council's financial position. 	3	3
Internal control: <ul style="list-style-type: none"> • including how effectively the Council maintains proper stewardship and control of its finances. 	3	3
Value for money: <ul style="list-style-type: none"> • including an assessment of how well the Council balances the costs and quality of its services. 	3	3
Overall assessment of the Audit Commission	3	3

Note: 1 = lowest, 4 = highest

The audit of the accounts and value for money

The key issues arising from the audit

Use of resources assessment

- 42 The Council's overall performance was maintained at a score of level 3 overall - 'consistently above minimum requirements - performs well'.
- 43 However there was deterioration in the overall financial reporting theme score, from a three to a two. The sub-theme relating to the timeliness and accuracy of financial reporting dropped from a score of three to a one however improvements on the other financial reporting theme (promotion of external accountability) resulted in a score of two for the theme overall.
- 44 The key points arising for the other themes are as follows.
- Financial management continues to score at a level two; our review of the Council's arrangements, in particular the medium-term financial strategy is detailed below. In summary, medium term financial planning needs to be strengthened and more clearly linked to service delivery plans and corporate business plans.
 - Financial standing and the Council's value for money arrangements remain good.
 - Internal control arrangements are good overall but there were weaknesses in some areas identified during the financial statements audit. The Council should continue to build upon arrangements to ensure there are adequate governance arrangements in place for all significant partnerships, including risk management arrangements.
 - Value for money arrangements remain sound; while costs are sometimes high these are generally accompanied by good quality services and outcomes, in the context of the level of deprivation in Hartlepool.
- 45 Key areas for improvement include:
- improving financial reporting;
 - strengthening the medium-term financial strategy; and
 - looking further ahead, demonstrating the Council's action in relation to sustainability in its use of resources.
- 46 The assessment relates to the Council's activity in 2007/08. Action is being taken to improve financial reporting and develop the medium-term financial strategy.

Financial Statements and the Annual Governance Statement

- 47 An unqualified opinion on the financial statements was given; however there was a number of significant amendments required which resulted in a reduction to the Use of Resources financial reporting sub-theme from a level 3 to level 1. Errors identified and weaknesses in internal controls included:
- year-end bank reconciliation issues arising;
 - treasury management weakness; an investment being taken from the Fire Authority's bank account (for which the Council provides financial and other services) instead of the Council's in error; and

- balancing figures in the cash flow statement.

Strengthened bank reconciliation and treasury management arrangements were immediately put in place by the Council following identification of the errors.

48 Key actions for the Council include:

- ensuring that the production of the financial statements is adequately resourced and supported by timely, comprehensive working papers;
- putting in place robust quality assurance arrangements to review the quality of the accounts; and
- early discussions with the external auditor of any significant issues arising.

49 A detailed outturn report was produced by the Council in August, after the approval of the financial statements. This detailed outturn report (in the form of earlier budget monitoring reports) should ideally be presented to members prior to the approval of the statutory financial statements.

50 We reviewed the Authority's Annual Governance Statement (AGS) and the systems in place to support it. There are sound arrangements in place to support the AGS. In line with the wider nature of the Annual Governance Statement, assurances should more explicitly state that governance arrangements cover significant partnerships.

51 The Council has put in place plans to improve the quality and accuracy of financial reporting in 2009.

Data quality

52 Auditors' work on data quality and performance information supports the Commission's reliance on performance indicators (PIs) in its service assessments for comprehensive performance assessment (CPA).

53 The Council's overall data quality management arrangements meet minimum requirements only. Our spot checks found three out of five PIs to be wrong and requiring amendment.

54 Following our report last year, there has been some progress in extending the monitoring and review of data quality covering all data. The Council is also looking at how to address information supplied by partners and contractors. Approaches and standards are being monitored for their consistency, and specific training is being developed with the recently introduced performance management system.

55 Key recommendations for the Council include:

- improving internal quality assurance arrangements for PIs; and
- closely following underlying guidance for calculation of PIs.

56 The Council has responded promptly to these findings, rolling out training for key officers since December. We will carry out further work to assess data quality arrangements, liaising with Internal Audit over the next year, to gain adequate assurance over arrangements.

Setting high ethical standards

- 57 High ethical standards are the cornerstone of good governance. They are an integral part of good corporate governance arrangements and lead to increased confidence in local democracy. Setting high ethical standards is an important building block for councils in developing their community leadership role and improving services to the community. Councils are also becoming involved in increasingly complex partnerships and any decline in high standards may adversely affect these arrangements.
- 58 We reviewed whether the Council's arrangements for maintaining high ethical standards of behaviour are well understood by councillors and senior officers and are complied with. The audit consisted of an online survey of all councillors and senior officers. The survey is a national questionnaire which has been responded to by over 4,000 people across the country.
- 59 We issued the survey in late 2007 and reported to the Council in April 2008. Key points arising from the survey were:
- awareness of the ethical agenda by both councillors and officers of Hartlepool Borough Council was as strong. Responses in general were much more positive than national average in most areas;
 - leadership shown by councillors and senior management, including trust and communications, was assessed as generally positive with both the Mayor and Chief Executive perceived as being proactive and role models in terms of ethical behaviour;
 - Senior Officers were in general more positive across all areas of the survey with only minor awareness issues to be addressed;
 - Councillors and officers were generally positive about accountability, management of standards, team working and partnership working;
 - Councillors and officers were relatively positive about relationships, particularly when it comes to trusting each other;
 - there was clarity among councillors regarding the Members' Code of Conduct, but not about when an interest should be entered in the Members' register;
 - Councillors and officers were not positive about the role of the Standards Committee and its impact on the ethical agenda or that it adds value to the Council; and
 - Councillors were negative about the levels of training they are receiving in some key national policy areas. More of a concern was the level of councillors and senior managers who expressed they didn't know whether they had received training in these areas.
- 60 The Council has already taken action to implement recommendations which we will monitor as part of our audit.

Sickness absence

- 61 The Council is one of a number of councils across Durham and Teesside who participated in our review of sickness absence arrangements to identify and share areas of good practice and identify any common factors which lead to the high levels of sickness evident across the North East.
- 62 Sickness absence across Durham and Teesside councils is generally high and in some cases increasing. In 2006/07 absence on average was 10.94 days per employee ranging between 5.31 and 13.8 days. The national average for all councils is 9.32 days with the worst 25 per cent of councils having a level of 10.67 days per employee.
- 63 Our key findings were that overall there are clear policies and procedures in place and comprehensive data available to monitor and improve sickness absence levels in all councils. However, the application of the policies and procedures is generally inconsistent within councils. Those councils that are succeeding in reducing levels of sickness tend to have a corporate focus on reducing sickness and good levels of timely information provided to line managers who are well supported in managing sickness.
- 64 Recommendations specific to Hartlepool Borough Council are detailed in the separate report issued and included:
- the review of information systems to reduce level of manual intervention to produce 'fit for purpose' management information in a timely and accurate manner to the appropriate level of management;
 - ensuring a consistent approach across the Council via monitoring the provision of data to managers and application of procedures;
 - improving the corporate approach to setting targets and consider setting targets at sectional level;
 - reviewing and amend policies in the light of external findings and weaknesses identified by internal groups; and
 - increasing the profile, promotion and co-ordination of wellbeing initiatives.
- 65 Sickness absence for the Council has improved in 2007/08. Levels have reduced to 10.43 days per employee reported as compared to 13.52 days in 2006/07 and initial figures for 2008/09 show further improvement.

Effective financial management: review of the medium-term financial strategy

- 66 The 2007 Corporate Assessment highlighted that the Council did not have a formal approach to medium term financial planning. While it had a good framework in place for performance management, the Council could improve its financial and performance planning by developing and adopting a formal medium-term financial strategy (MTFS), clearly linked to Council objectives and funding streams and to its role in delivering the Community Strategy.

The audit of the accounts and value for money

- 67 We reviewed the Council's medium-term financial strategy against best practice and made a number of recommendations including:
- presentation of financial policies in one comprehensive document;
 - better alignment of the MTFS with Council priorities as is being planned from 2008/09; and
 - ensuring the MTFS describes, in financial terms, joint plans with partners and stakeholders.
- 68 The Council will consider recommendations as part of the next update of the MTFS in February 2009.

Review of draft strategy for working with the Voluntary Sector

- 69 In 2008 we reviewed progress on your draft strategy for working with the Voluntary Sector. 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.
- 70 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.

Health Inequalities

- 71 The North East acknowledges that it has many areas with the poorest health in the country. The regional health and well-being strategy, launched in February 2008, aims to transform the North East into the healthiest region in the country within a generation. There have been improvements in health, for example premature death rates from heart disease and stroke are rapidly improving across the region and life expectancy continues to rise.
- 72 However, inequalities still exist. Many areas in the North East are not on track to meet the national target - by 2010 to reduce by at least 10 per cent the gap in life expectancy at birth between the fifth of areas with the worst health and deprivation indicators (the Spearhead Group) and the population as a whole.
- 73 Improving people's chances in life relies on action in many areas, through for instance education and employment opportunities, access to good housing, as well as cultural change. These issues cannot be tackled by one agency but need a concerted effort from public and private sector and individuals across the North East.
- 74 The Audit Commission and Deloitte have been reviewing jointly how organisations across the North East work together to address health inequalities and what the challenges are.

- 75 Last year we looked at how councils, police, PCTs, trusts and other public sector bodies and the community and voluntary sector partners within areas across the north east were working together. This work concluded that in general, areas were good at identifying the problem and agreeing priorities but less good at developing targeted strategies, commissioning and delivery of services and monitoring and evaluating.
- 76 The final phase of our work has focused on the arrangements and action being taken in relation to two issues, alcohol harm and teenage pregnancy, which have an impact on health inequalities in the North East. We have carried out detailed reviews in four areas; Durham, North Tyneside, Stockton and Sunderland, to identify enablers and barriers to tackling health inequalities.
- 77 We will be drawing on the results of these four reviews and wider research from our first phase of work to produce a region-wide report on health inequalities which will contain key messages for all partners on the impact our local findings could have on the wider health inequalities agenda.

Looking ahead

- 78** The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 79** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 80** The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspect of each area's Local Area Agreement.

Closing remarks

- 81** This letter has been discussed and agreed with the Chief Executive and Assistant Chief Executive. A copy of the letter will be presented at the Audit Committee on the 19 March 2009. Copies need to be provided to all Council members and the Council should confirm this to us in writing.
- 82** Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 5 Reports issued

Report	Date of issue
Audit and inspection plan	March 2007
Managing Sickness Absence	April 2008
Ethical Standards	April 2008
Annual Governance Report	September 2008
Opinion on financial statements and value for money conclusion	September 2008
Effective Financial Management (Review of the Medium Term Financial Strategy)	October 2008
Final accounts report	February 2009
Use of Resources	March 2009
Data Quality	March 2009
Annual audit and inspection letter	March 2009

- 83** The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Closing remarks

Availability of this letter

- 84 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

Philippa Corner
Comprehensive Area Assessment Lead

March 2009

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.

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AUDIT COMMITTEE

19 March 2009



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 now received data matches from the Audit Commission in relation to the National Fraud Initiative (NFI) for 2008/09. The section, along with the Benefit Fraud Team, is currently investigating any anomalies identified.

- 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
Housing Aid	Ensure that all relevant policies & procedures are adhered to, budgets are effectively managed and all statutory requirements are followed when providing housing advice and assisting the homeless.	<ul style="list-style-type: none"> - The applicants NI Number should be obtained. - ID must always be checked when processing an application. - When an applicant is rehoused the property details should be entered on the system. - Procedures should be placed in a shared folder which is accessible to all staff. 	Y Y Y Y
Adult Education	Ensure that all areas of administration activity are adequately controlled and operate effectively.	<ul style="list-style-type: none"> - Ensure all students entitled to a reduced fee have an up to date benefits form. - Enrolment forms for all students must be kept on file. 	Y Y
Rossmere 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 bank mandate should be obtained and retained securely. - 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 after invoices have been received is not a sufficient control to ensure budgetary control. - The inventory should detail items that exceed £500 or portable attractive assets such as cameras. Documentary evidence that annual stock checks are undertaken should be maintained. - Detailed procedures should be combined into a single document and presented to the Governing Body for approval. They should be subject to regular review / maintenance. - 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 strategic plan. - Internet use forms signed by parents 	Y Y Y Y Y Y

		<p>authorising pupils to use internet facilities within the school will be reviewed as part of the follow up audit.</p> <p>- All staff should complete a HBC Data Protection Form of Undertaking</p> <p>- Written instruction forbidding the installation or downloading of unauthorised software should be ratified by governors and circulated to staff. 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 agree a publication scheme (see model publication schemes) and access policy in accordance with the Freedom of Information Act. The access policy should require all subject access requests to pass through the Head teacher or nominated co-ordinator. Staff should be instructed not to pass information assets out of the school.</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>- Back ups of information should be taken on a regular basis. Back ups should be stored in a secure location within the school away from the main computer/server and should be tested to ensure that systems can be restored in the event of failure. For Data Protection reasons back ups should not be taken off the premises</p> <p>- The private fund maintained by the school should have an up to date constitution, which is approved by the Governing Body, and details the purpose of the fund and arrangements for its management</p> <p>- Annual income / expenditure statements should be prepared for the private fund. The School should appoint a person independent from the day to day administration of the school fund to examine the year end financial statements. Audited accounts should</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>be presented to the Governing Body annually.</p> <p>- The bank mandate should be obtained and retained securely.</p> <p>- An adequate income record should be used to record all income received for the private fund and the date on which it was banked.</p> <p>- Results of the benchmarking exercise undertaken should be presented to Governors and an action plan developed to implement any areas of improvement identified.</p> <p>- Where the school employs contractors to carry out construction type work, for payments exceeding £1,000 the school should ensure that contractor has a valid CIS certificate and seek advice from the Central Payments Unit regarding the deduction of income tax.</p> <p>- Items of equipment costing in excess of £500 or of a portable and attractive nature should be recorded in the inventory record; assets such as furniture need not be included. Assets recorded should have sufficient detail to enable them to be clearly identified e.g. serial number, value and there should be documentary evidence that annual stock checks are undertaken.</p> <p>- The school's best value performance plan should be forwarded to Children's Service Finance</p> <p>- Revenue items of expenditure incorrectly allocated to devolved capital should be reallocated to their appropriate cost centres. Future revenue expenditure should be correctly coded to appropriate cost centres. Devolved capital allocations should be used only for capital expenditure</p> <p>- Access to SIMS was not tested and will be reviewed as part of the follow up audit.</p> <p>- A review of training undertaken as identified by the appraisal process will be undertaken as part of the follow up audit.</p> <p>- Action plans arising from SMT meetings will be reviewed as part of the follow up audit.</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 school should maintain an income record that records all income received and details bankings to</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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		ensure that an audit trail is maintained. - The Governing Body should formally adopt a scale of charges which should be reviewed on an annual basis.	Y
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.	None	
Salaries	Salaries and related costs are incurred only in respect of staff currently employed in authorised posts, salaries are correctly calculated and properly authorised, salaries have been correctly coded, salaries are properly and accurately recorded and details held securely, salaries are paid only to those entitled, all expected output is produced, appears reasonable and is distributed on time with confidentiality being maintained.	- All leavers must have a termination form on file and where necessary a resignation letter, or a contract variation form if the employee has moved jobs and company numbers within the council. - Employees who have left the authority must have their access rights blocked. A user access report should be reviewed quarterly.	Y Y
Wages	Wages and related costs are incurred only in respect of staff currently employed in authorised posts, wages are correctly calculated and properly authorised, wages are properly and accurately recorded and details held securely, wages are paid only to those entitled, all expected output is produced, appears reasonable and is distributed on time with confidentiality being maintained.	- Employees who have left the authority must have their access rights blocked. A user access report should be reviewed quarterly. - All leavers must have a termination form on file and where necessary a resignation letter, or a contract variation form if the employee has moved jobs and company numbers within the council.	Y Y
Loans and Investments	Ensure that the council has adopted a CIPFA compliant policy for borrowing and investing. Adequate systems and procedures are in place for the forecasting of daily cash flow. Temporary loans and investments are subject to monitoring and authorisation. Repayments are made in a timely manner. Interest receivable is tracked and received by the due dates. Appointment and payment to brokers is in line with guidelines.	- When adjustments are made by the Chief Financial Officer a copy of the updated list of approved counterparties for lending must be authorised by either CFO or ACFO.	Y
Debtors	Errors and omissions are minimised. The responsibility for raising sundry debtor accounts is clearly defined. The debtors	- Duplicate accounts should be monitored; any current duplicates will need to be merged. - All debts deemed irrecoverable	Y

	<p>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.</p>	<p>should be written off before 08/09 year end closure.</p> <ul style="list-style-type: none"> - Sundry debt should be written off at regular intervals throughout the financial year. i.e. Sept/Mar. - Recovery Targets are set for the Council following benchmarking with other local Councils. - Review of the bad debt provision will be completed as part of the follow up audit. 	<p>Y</p> <p>Y</p> <p>Y</p>
St John Vianney's Primary	<p>Ensure school financial and governance arrangements are in line with best practice.</p>	<ul style="list-style-type: none"> - The template from the Full Governing Body minutes is to be used as the base for completing Recourse committee minutes. Effective clerking arrangements should be in place for the Resource 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 Resource Committee. - 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. - The school should add to there development plan the future budgets they have produced using the HCSS software. - Recruitment will be reviewed as part of the follow up audit - The Governing Body should ratify the LEA's Financial Regulations which 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>

		<p>should be reviewed on a regular basis (at least two yearly).</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>- The school should develop detailed local procedures for the finance function and ensure that they are approved by the Governing Body.</p> <p>- Appropriate checks (e.g. references) should be undertaken on all new staff. CRB clearances should be reviewed every three years.</p> <p>- Appropriate checks (e.g. references) should be undertaken on all new staff/governors. CRB clearances should be reviewed every three years.</p> <p>- Debts exceeding £25 should be referred to the LEA in order that recovery action can be taken</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>- 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.</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>- All time sheets should be verified as accurate and authorised for payment by the Headteacher or Responsibility given formally to the clerk.</p> <p>- 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</p> <p>- 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.</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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		<ul style="list-style-type: none"> - 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. - Back ups of information should be taken on a regular basis and tested to ensure that systems can be restored in the event of failure. - The school should present the benchmarking data they have produced using the DFES Teachernet benchmarking website to evaluate performance against similar schools. - The six large transactions are to be reviewed in the follow up audit. - St John Vianney's private fund is audited annually by Glen Harbron. IT Co-coordinator. Glen has no involvement with the fund other than to audit it. Audited accounts have not been presented to the GB. - The Governing Body should formally adopt a scale of charges which should be reviewed on an annual basis. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
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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.
Disability Discrimination Act	HBC approach to implementing DDA is documented, complies with legislation/guidance, follows best practice and has been agreed by the Executive/Management Board. Executive Members and Senior Managers within Directorate are actively involved in the process as well as operational managers delivering services on the ground. A consistent methodology is used to identify services/access rights etc that do not comply with DDA. Areas of non-compliance are reported to management and acted upon as appropriate. Key staff/members receive adequate training/guidance to enable them to discharge their duties in an efficient manner. Appropriate mechanisms are in place to monitor progress against DDA compliance. Risks associated with non-compliance are identified and entered onto the Risk register. The implications of key decisions made by portfolio holder/executive are raised at the time the decision is made.
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.
Purchase Cards	All staff are aware of the procedures for using the purchase card. Application and transaction blocking forms are completed correctly. There is adequate separation of duties for the ordering and payment process. The council pays only for goods or services it has ordered and receives proper value for money.
Attendance Management	Compliance with relevant legislation and corporate policies; The aims and objectives of the Council's Attendance Management Policy are being achieved; That attendance is monitored and managed in line with the Attendance Management Policy. That disruption to service delivery is minimised; That the Council invests in the health & wellbeing of its staff.
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.

Recruitment	<p>A Recruitment and Selection Policy, that is consistent with legislation and best practice has been drawn up, formally adopted and distributed to all staff. The Policy is kept up to date. Effective procedures are in place to ensure that the Recruitment and Selection Policy is implemented consistently across the Authority. Required approvals are obtained prior to a post being advertised. Staff appointed have the correct skills for the post. All appointments have been made in line with the Recruitment and Selection Policy. All necessary checks are carried out to establish an individual's identity prior to appointment. The retention of supply / casual registers is in line with policy documentation. Arrangements are in place to ensure that complaints are fully investigated and appropriately resolved. Procedures for appointing overseas nationals are documented and applied consistently.</p>
Performance Management System	<p>The organisation has established a performance indicators (PIs) and data quality (DQ) policy that was referred to and supported by the senior management team (SMT). The system, policy and procedures are documented and readily accessible. Roles and responsibilities have been formally allocated, recorded and communicated, and training provided. Procedures ensure roles and skills requirements are identified and met. Policies and procedures have been established to ensure:</p> <ul style="list-style-type: none"> that supporting information, data, reports, etc are produced and retained; staff responsible for PIs have the current and correct definitions; independent checks are undertaken to ensure PIs are produced and reported accurately; relevant information, data, documentation and IT facilities are held securely and are readily accessible by authorised persons only. <p>Monitoring and reviews assess the system, training needs, identify weaknesses and recommendations are made for improvement which are reported to the SMT. A clearly defined and documented testing programme has been established. Procedures ensure staff responsible for PIs are aware of the timescale and deadlines for producing, reporting and publishing PIs.</p>
Capital Programme	<p>Ensure that there is a strategic approach to allocating capital resources which links to the Authority's overall aims and objectives.</p> <p>Determine and evaluate the methods in place for prioritising schemes/projects.</p> <p>Examine the arrangements in place for obtaining financing for the capital programme to ensure that all agreements entered into are appropriately authorised.</p> <p>Evaluate the processes in place for allocating and monitoring funding made available for specific projects/schemes.</p> <p>Ensure that there are robust processes in place for monitoring spend against the capital programme and reporting on any issues arising.</p>
Highways	<p>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.</p>

Pest Control	<p>Ensure that the system controls provide reasonable assurance that:</p> <p>The Pest Control Team are aware of and abide by current legislation. There are comprehensive procedure notes in place, available to all staff. Pest Officers are qualified and regularly trained and this is evidenced. There are set charges which have been approved by the relevant portfolio holder and these are clearly advertised for customers. Market comparisons are made on a regular basis to ensure our charges are competitive. Vehicles are kept securely and are regularly inspected to ensure they are road worthy. Ordering, control of and payment for poisons is controlled and subject to appropriate levels of authorisation. Only appropriate staff have access to the poison stocks. Stocks are regularly checked. All pest control jobs and the actions taken are recorded and recorded correctly. Charges are made correctly to the correct person for the correct amount and for the service used that were chargeable. Non-payment is monitored and recovery action taken against non-payers. The database complies with all HBC IT Policies. Budget monitoring reports are regularly receive by the budget holder and actioned appropriately. Performance is monitored by the managers. Finances and performance are regularly reported on to portfolio</p>
Budgetary Control	<p>The roles and responsibilities for key officers and budget holders are clearly defined and those staff have received adequate budget training. Budgets are set in accordance with pre-determined approved policy objectives. The budget setting process is supported by a risk management framework. Documentary evidence supports the make up of the budget. Budgets are prepared promptly in line with the annual budget process and timetable. All relevant records are correctly up dated with the budget set and approved. Working papers adequately support the budget loaded into the ledger. Budgets set are reported annually to the managing body prior to implementation. Budget amendments of a significant nature are reported to and approved by the managing body. Budgets are properly controlled through effective monitoring arrangements in accordance with Financial Procedure Rules. There is an established financial risk management process to determine the level of reserves.</p>



Report of: Head of Audit and Governance

Subject: CODE OF CORPORATE GOVERNANCE

1. PURPOSE OF REPORT

To inform Members of the contents of the Code of Corporate Governance attached as Appendix A to the report.

2. BACKGROUND

2.1 In recognition of the fact that good governance leads to good management, attainment of good performance and overall proper stewardship of public monies, a Code of Corporate Governance has been developed. The purpose of the code is to communicate how the Council ensures it is doing things right for the community, in a timely, inclusive, open, honest and accountable manner and it comprises the systems and processes as well as cultures and values by which the Council is directed and controlled and through which it is publicly accountable.

2.2 The code is based on the core principles as set out in the SOLACE/CIPFA Good Governance Framework and encompasses the following key elements;

- **Focusing on the Council's Purpose and Community Needs** – focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- **Having Clear Responsibilities and Arrangements for Accountability** – members and Officers working together to achieve a common purpose with clearly defined functions and roles;
- **Good Conduct and Behaviour** – promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- **Informed, Transparent Decision Making and Managing Risk** – taking informed and transparent decisions which are subject to effective scrutiny and management of risk;

- **Developing Skills and Capacity** – developing the capacity and capability of Members and Officers to be effective; and
- **Engaging Stakeholders** – engaging with local people and other stakeholders to ensure robust public accountability.

3. RECOMMENDATION

That the Audit Committee endorses the Code of Corporate Governance and reports it as such to Council.

Appendix A



HARTLEPOOL BOROUGH COUNCIL CODE OF CORPORATE GOVERNANCE

HARTLEPOOL BOROUGH COUNCIL'S**CODE OF GOVERNANCE****1. INTRODUCTION**

- 1.1 Hartlepool Borough Council recognises that good governance leads to good management, attainment of good performance and overall proper stewardship of public monies. Additionally, through public engagement and empowerment this should ultimately lead to beneficial outcomes for citizens and service users. Good governance enables local authorities to pursue their visions in an effective and responsive manner, as well as underpinning their visions through appropriate mechanisms for control and effective management of risk.
- 1.2 All public authorities should aim to meet the standards of the best possible governance arrangements which should not only be sound but also seen to be properly robust and effective. Governance is about how local government bodies ensure that they are doing things right for the community they serve, in a timely, inclusive, open, honest and accountable manner and it comprises the systems and processes as well as cultures and values by which local government is directed and controlled and through which it is publicly accountable. Of primary importance, is the way any public body engages with and where appropriate, provides leadership and direction to their communities.
- 1.3 Hartlepool Borough Council is committed to being at the forefront of those local authorities that are able to demonstrate that they have the necessary Corporate Governance to excel in the Public Sector. This Code is a public statement that sets out the way in which the Council will meet that commitment.

2. CODE OF GOVERNANCE FRAMEWORK

- 2.1 Hartlepool Borough Council is committed to applying the core principles as set out in the SOLACE-CIPFA Good Governance Framework which comprises the following key elements;

Focusing on the Council's Purpose and Community Needs

- focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;

Having Clear Responsibilities and Arrangements for Accountability

- Members and Officers working together to achieve a common purpose with clearly defined functions and roles;

Good Conduct and Behaviour

- promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

Informed, Transparent Decision Making and Managing Risk

- taking informed and transparent decisions which are subject to effective scrutiny and management of risk;

Developing Skills and Capacity

- developing the capacity and capability of Members and Officers to be effective; and

Engaging Stakeholders

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

2.2 Each of these principles is an important part of Hartlepool Borough Council's Corporate Governance arrangements. This statement describes how the Council will meet and demonstrate its commitment to good Corporate Governance. Also described in this document is how and by whom the Council's Corporate Governance arrangements will be monitored and reviewed.

3. THE COUNCIL'S CORPORATE GOVERNANCE PRINCIPLES

3.1 Focusing on the Council's Purpose and Community Needs

The Council will explain and report regularly on activities, performance and the Council's financial position. Timely, objective and understandable information about the Council's activities, achievements, performance and financial position will be provided.

The Council will do this by annually publishing:

- Council's Corporate Plan;
- Externally audited accounts;
- Independently verified performance information.
- Summary annual report

The Council will aim to deliver high quality services that are value for money.

The Council will do this by:

- Delivering services to meet the needs of the local community, and put in place processes to ensure that they operate effectively in practice;
- Directing resources to those that need services most;
- Developing effective relationships and partnerships with other public sector agencies and the private and voluntary sectors, and consider outsourcing where it is efficient and effective to do so;
- Responding positively to the findings and recommendations of external auditors and statutory inspectors and putting in place arrangements for the implementation of agreed actions;
- Comparing information about our services with services provided by similar organisations and assessing why levels of efficiency, effectiveness and quality are different elsewhere.

3.2 Having clear responsibilities and arrangements for accountability

The Council will ensure that the necessary roles and responsibilities for the Governance of the Council are identified and allocated so that it is clear who is accountable for decisions that are made.

The Council has a directly elected Mayor with powers to:

- Appoint Executive Members with defined executive responsibilities;

- Agree a scheme of delegated executive responsibilities to Officers.

The Council will:

- Appoint Committees to discharge the Council's Regulatory responsibilities;
- Appoint Committees to discharge the Council's Scrutiny responsibilities;
- Have in place a scheme of delegated Council responsibilities to Officers;
- Have in place effective and comprehensive arrangements for the scrutiny of services and for holding the Executive to account.

3.3 Good Conduct and Behaviour

The Council will foster a culture of behaviour based on shared values, ethical principles and good conduct. The Council will do this by establishing and keeping under review:

- The Council's values;
- A Member Code of Conduct;
- An Officer Code of Conduct;
- A Protocol governing Member/Officer relations;
- A Protocol detailing the roles of Members and officers in decision-making;
- Systems for reporting and dealing with any incidents of fraud and corruption, for example, through 'Whistle-blowing' procedures and anti-fraud policies and procedures including a policy relating to combating money laundering.

3.4 Informed, Transparent Decision Making and Managing Risk

The Council will ensure that appropriate legal, financial and other professional advice is considered as part of the decision-making process.

The Council will be transparent about how decisions are taken and recorded.

The Council will do this by:

- Ensuring that all 'Key Decisions' taken by the Executive are made in public and that information relating to those decisions is made available to the public¹.
- Ensuring that all decisions of Regulatory Committees of the Council are made in Public and that information relating to those decisions is made available to the public².
- Recording all decisions that are made by committees and officers³ and making the details publicly available.
- Having rules and procedures which govern how decisions are made.

¹ Except where that information is exempt under the provisions of the Freedom of Information Act or determined as being confidential by Government or otherwise exempt by the Council.

² Except where that information is exempt under the provisions of the Freedom of Information Act or determined as being confidential by Government or otherwise exempt by the Council.

³ For Officers this relates to Key, Major and significant operational decisions only.

The Council will operate a risk management system that aids the achievement of its strategic objectives, protects the Council's reputation and other assets and is compliant with statutory and regulatory obligations. The Council will ensure that the risk management system:

- Formally identifies and manages risks;

- Involves elected members in the risk management process;
- Maps risks to financial and other key internal controls;
- Incorporates service continuity planning; and
- Reviews and, if necessary, updates its risk management processes at least annually.

3.5 Developing Skills and Capacity

The Council will ensure that those charged with the governance of the Council have the skills, knowledge and experience they need to perform well. The Council will do this by:

- Implementing a Member Development Strategy;
- Achieving and maintaining the Investor in People Standard;
- Cascading regular information to Members and staff.

3.6 Engaging Stakeholders

The Council will seek and respond to the views of stakeholders and the community. The Council will do this by:

- Forming and maintaining relationships with the leaders of other organisations, for example, the Local Strategic Partnership;
- Publishing a Forward Plan of Key Decisions;
- Having a policy on consultation and using a range of consultation methods, and by being inclusive to all our diverse communities.
- Encouraging and supporting the public in submitting requests for Scrutiny;
- Providing and supporting ways for Citizens to present community concerns to the Full Council and Neighbourhood Consultative Forums as well as through the mechanisms of Local Area Agreements.

4. MONITORING AND REVIEW

The Council has Committees that are responsible for monitoring and reviewing the Council's Corporate Governance arrangements. These Committees and their functions are set out below. In addition, the Council has an Independent Remuneration Panel to advise and make recommendations to the Council on the scheme of allowances for Council members.

4.1 The Audit Committee is responsible for the Council's arrangements relating to:

- Approving the Council's Accounts;
- External audit;
- Policies and practices that ensure compliance with statutory and other guidance;
- Internal audit.

4.2 The Standards Committee has responsibility for promoting and maintaining high standards of conduct by the mayor, councillors, co-opted members and Parish Council Members.

The Council has a Standards Committee with the following roles and functions;

- promoting and maintaining high standards of conduct by the Mayor, Councillors, co-opted members and church and parent governor representatives;
- assisting the Mayor, Councillors, co-opted members and church and parent governor representatives to observe the Members' Code of conduct;

- (iii) advising the Council on the adoption or revision of the Members' Code of Conduct;
- (iv) monitoring the operation of the Members' Code of Conduct;
- (v) advising, training or arranging to train the Mayor, Councillors, co-opted members and church and parent governor representatives on matters relating to the Members' Code of Conduct;
- (vi) granting dispensations to the Mayor, Councillors, co-opted members and church and parent governor representatives from requirements relating to interests set out in the members' Code of Conduct;
- (vii) dealing with any reports from a case tribunal or interim case tribunal, and any report from the Monitoring Officer on any matter which is referred by an ethical standards officer to the Monitoring Officer; and
- (viii) the exercise of (i) to (vii) above in relation to the Parish Councils wholly or mainly in its area and the members of those parish councils.

- 4.3 The Constitution Committee is responsible for the review and monitoring of the Council's Constitution, and able to make recommendations for changes, where reviewing the Constitution to full Council. The Committee is supported in this role through the work of the Constitution Working Group.

Through these Committees the Council will ensure that these arrangements are kept under continual review by:

- The work of Internal Audit;
- Reports prepared by managers with responsibility for aspects of this Code;
- External Audit opinion;
- Other review agencies and Inspectorates;
- Opinion from the Council's Statutory Officers.

- 4.4 Contract Scrutiny Committee with responsibility to oversee the contract tender process and the evaluation thereof, as set out within the Committee's functions;

1. To receive and examine tender lists.
2. To open tenders.
3. Functions relating to the scrutiny of contracts;
 - (a) The monitoring of contracts (at the discretion of the Committee) subject to the formal quotation procedures under the Council's Contract Procedure Rules relating to;
 - (i) Best Price Procedures
 - (ii) Price/Performance Contracts
 - (iii) Partnering Contracts
 - (b) To receive and examine reports on the outcome of best price contracts when the contract is not awarded to the tenderer with the best price.
 - (c) To receive and examine reports on the outcome of price/performance and partnering contracts letting procedures.
 - (d) To receive and examine reports on any exception from the Contract Procedure Rules.

4. To act as a consultee on the annual review of the Council's sustainable procurement strategy and 5 year procurement plan.
5. Power to consider and make recommendations on the risk management of procurement of contracts in accordance with the Council's Contract Procedure Rules.
6. Power to monitor contract register and the maintenance of select lists.

4.5 Scrutiny Co-ordinating Committee primary responsibility to co-ordinate the work of the scrutiny forums and to be a lead in the overview and scrutiny of the decision making process and in the development of plans and strategies that form the Council's policy framework.

The Committee has the following roles and functions;

- 1 To work with the four forums to decide an annual overview and scrutiny work programme, including the programme of any ad-hoc forum that it appoints, to ensure that there is efficient use of the forums and that the potential for duplication of effort is minimised.
- 2 To lead the involvement of overview and scrutiny in the development of the budget and the plans and strategies that make up the policy framework and to delegate issues for consideration to the forums.
- 3 Where matters fall within the remit of more than one overview and scrutiny forum, to determine which of them will assume responsibility for any particular issue and to resolve any issues of dispute between overview and scrutiny forums.
- 4 To receive requests from Members, the executive and/or the full council for items to be considered by overview and scrutiny forums and to allocate them, if appropriate to one or more overview and scrutiny forum.
- 5 To put in place and maintain a system to ensure reports from overview and scrutiny to the executive are managed efficiently and do not exceed any limits set out in this constitution (this includes making decisions about the priority of reports, if the volume of such reports creates difficulty for the management of executive business or jeopardises the efficient running of the council business).
- 6 To exercise the power of call-in in relation to Executive decisions made as set out in Section 21 (3) of the Local Government Act 2000, or allocate them to the appropriate overview and scrutiny forum for consideration.
- 7 Assessing, monitoring and advising on the role of the Council's central support services in supporting the Council's progress towards the Community Strategy's priority aims, including:-
 - General policies of the Council relating to the efficient use of resources (people, money, property, information technology); and
 - District Auditor performance reports, the District Auditor's Annual Audit Letter and health and safety issues.

5. THE CORPORATE GOVERNANCE STATEMENT

5.1 Each year the Council will publish an Annual Governance Statement. This will provide an overall assessment of the Council's Corporate Governance

arrangements and an appraisal of the key controls in place to manage the Council's principal governance risks. The Statement will also provide details of where improvements need to be made⁴.

- 5.2 The Annual Governance Statement will be published as part of the Council's Annual Statement of Accounts and will be audited by our External Auditors.

⁴ Incorporating the Council's duties to publish an Annual Governance Statement in accordance with the Accounts and Audit Regulations 2006 (Amended).

6. CONTACT

The underlying purpose of this "code of governance" is ostensibly to provide a statement of the Borough council's commitment to proper and effective governance and to reference a variety of documents relating to governance within the Borough Council the same being documented below and available for public access at www.hartlepool.gov.uk.

For any further information on the Borough Council's good governance arrangements please contact one of the following Council Officers;

Peter Devlin,
Chief Solicitor and Monitoring Officer of Hartlepool Borough Council, Civic Centre,
Hartlepool TS24 8AY

Mike Ward,
Chief Financial Officer, Hartlepool Borough Council, Civic Centre, Hartlepool TS24
8AY

Andrew Atkin
Assistant Chief Executive, Chief Executive's Department, Hartlepool Borough
Council, Civic Centre, Hartlepool TS24 8AY

KEY DOCUMENTS

A - The Constitution

- Part 1 – Summary and Explanation
- Part 2 – Articles of the Constitution
- Part 3 – Responsibilities for Functions
- Part 4 – Rules of Procedure
- Part 5 – Codes and Protocols
- Part 6 – Members Allowances Scheme
- Part 7 – Appointment to Outside Organisations and other bodies
- Part 8 – Management Structure

B - Essential Documents supporting the Council's Constitution

- Policy framework plans and strategies (*including published minutes of meetings*)
- Code of Conduct for Members
- Draft Code of Conduct for Employees
- Whistleblowing Procedure Document
- Draft Planning Code of Practice

C - Key Policy Documents

- Corporate Plan
- Sustainable Community Strategy
- Local Area Agreement
- Council's Communication Strategy
- Customer Communication

D - Key Budget and Risk Management Documents

- Council's Annual Budget
- Medium Term Financial Strategy
- District Auditor's Annual Statement and Accounts
- Council's Risk Management Strategy (incorporating Departmental and Divisional strategies)
- Council's Anti-Fraud and Corruption Policy
- Annual Governance Statement

E - Key Member, Officer Decision Making

- Annual Report of Overview of the Scrutiny Committee
- Members Training and Development Programme
- Register of Member Interests
- Members Gifts and Hospitality Registration
- Officers Gifts and Hospitality Registration

F – Miscellaneous Documents

- Council's Partnership Strategy
- Complaints Procedures

AUDIT COMMITTEE

19 March 2009



Report of: Chief Financial Officer

Subject: REVIEW OF THE EFFECTIVENESS OF THE
SYSTEM OF INTERNAL AUDIT

1. PURPOSE OF REPORT

To inform Members of the need to review the effectiveness of the system of Internal Audit and propose a strategy for the completion of this task.

2. BACKGROUND

- 2.1 The governance arrangements that large organisations have in place to manage their business are coming under increasing scrutiny due to the fallout from the recession. It is envisaged that due to the nature and depth of current financial turmoil and economic failure the framework of financial regulation will be tightened which will have an effective on the public sector.
- 2.2 As a precursor to this, guidance has been issued from CIPFA regarding the definition and interpretation of legislation that has a direct impact on the governance arrangements in place at the Council. The report details a proposed approach to complying with this guidance.

3 CIPFA GUIDANCE

- 3.1 Regulation 4 of the Accounts and Audit Regulations (2003) was amended in 2006 with new reporting requirements, applicable to local authorities in England, on the effectiveness of the system of internal audit. The Regulations came into force on 1 April 2006 and applied for the 2006/07 reporting year. From 2007/08, the new reporting requirements have been included in the Annual Governance Statement.
- 3.2 The Department for Communities and Local Government issued guidance on the amended Regulations in August 2006. This Guidance covers the significant changes made to the 2003 Regulations. Apart

from simplifying and streamlining the 2003 regulations, the changes were intended to strengthen governance and accountability through a new requirement to carry out and consider the findings of a review of the effectiveness of the system of internal audit in Regulations 6 (3) and 6 (4) of the amended 2003 Regulations.

The Guidance on the new requirements relating to the review of the effectiveness of the system internal audit states:

“Regulation 6 of the 2003 Regulations was amended in 2006 to require 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. This process is also part of the wider annual review of the system of internal control. As with Regulation 4, this does not require the establishment of an audit committee, although such a committee would provide an appropriate means through which to carry out the review of internal audit as it has a role in monitoring internal audit but is independent from it.”

- 3.3 The Guidance cites the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom as proper practice in relation to internal audit in local authorities. The Guidance did not provide a definition of the system of internal audit nor did it address how relevant bodies should undertake an annual review of its effectiveness.

- 3.4 After lengthy consultation amongst practitioners, the CIPFA Audit Panel has interpreted the system of internal audit as follows:

“The framework of assurance available to satisfy a local authority that the risks to its objectives, and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation”

- 3.5 CIPFA Audit panel interpretation and subsequent guidance states the framework of assurance will comprise a variety of sources and not only the authority's internal audit service. It goes on to state that the Head of Internal Audit holds a unique role within a local authority as the only independent source of assurance on all internal controls. As such the Head of Internal Audit is therefore central to this framework of assurance and should acquire an understanding not only of the authority's risks and its overall whole control environment but also all sources of assurance. In this way, the Head of Internal Audit will be able to indicate whether key controls are adequately designed and effectively operated, regardless of the sources of that assurance. This role will include responsibility both for assessing the assurance available to the authority from other sources, whether internal or external, and for implementing a plan of internal audit work to obtain the required assurance.

- 3.6 CIPFA Audit Panel states that the outcome of the system of internal audit will be the annual report by the Head of Internal Audit and Governance to the authority which will, as required by the Code, include an opinion on the overall adequacy and effectiveness of the organisation's control environment. This opinion will be reported to the Audit Committee for consideration.

4 GOVERNANCE PROPOSALS

- 4.1 In order to comply with Regulation 6 of the Act requiring that relevant bodies conduct an annual review of the effectiveness of its system of internal audit and for a committee of the body to consider the findings, the following is proposed:

Given the legal responsibilities that fall upon the role of the Chief Financial Officer as section 151 Officer in relation to the Council's finances and financial administration, it is proposed that the annual review of the Council's system of internal audit is carried out by the Chief Financial Officer. The review will encompass the following elements:

- The process by which the control environment and key controls have been identified - the organisation's risk management system;
- The process by which assurance has been gained over controls – its coverage of the key controls and key assurance providers;
- The adequacy and effectiveness of the remedial action taken where there are deficits in controls, which will be led by the audit committee or its equivalent and implemented by management; and
- The operation of the audit committee and the internal audit function to current codes and standards.

- 4.2 The Chief Financial Officer would be required to report the findings of the review to the Audit Committee in order to comply with the Act that states:

“the findings of the review... shall be considered by a committee of the relevant body or by the members of the relevant body meeting as a whole”

5. RECOMMENDATION

- 5.1 That the Audit Committee approves the Chief Financial Officer's role in reviewing the system of internal audit and receives and considers a report on the findings of the review.

AUDIT COMMITTEE

19 March 2009



Report of: Assistant Chief Executive

Subject: DATA QUALITY

1. PURPOSE OF REPORT

- 1.1 To provide Members with a copy of the Data Quality Policy and inform them of the progress made to date to improve Data Quality arrangements.

2. BACKGROUND

- 2.1 The Audit Committee considered data quality at their meeting on 18 December 2008 as part of the Audit Commission's progress report (Item 4.1). It was agreed to provide members of the Audit Committee with the Data Quality Policy (see **Appendix A**). A formal Data Quality Policy was first approved on 23 April 2007 and this is reviewed annually. Corporate Strategy in the Chief Executive's Department and the Performance Portfolio Holder have lead responsibility for data quality but it affects all departments and members as it is a key requirement for effective decision making.
- 2.2 Data Quality is an essential part of the Use of Resources assessment that will be completed in 2009 by the Audit Commission. There is a requirement to 'produce relevant data and work with partners to secure data quality'. Given the importance of National Indicators in the Corporate Area Assessment (CAA) process it is essential that our organisational data quality arrangements are satisfactory.
- 2.3 The Audit Commission sample testing of 5 performance indicators (PIs) found errors in 3. These were not deliberate errors, but errors in the way that data had been collected and indicators calculated. This called into question our overall arrangements for ensuring data quality and as a result the Audit Commission will examine more PI's this year.
- 2.3 Therefore Corporate Management Team agreed on 20 October 2008 the need to further develop our data quality arrangements. through the four elements of improving communication, a more robust PI audit process, briefing sessions and a continued Internal Audit PI audit process.

3. APPROACH TO IMPROVING DATA QUALITY ARRANGMENTS

- 3.1 Further details on each element are given below.

a) Improved communication/awareness

Appropriate employees need to understand the importance of data quality and their individual roles in achieving adequate standards. The Data Quality policy has been circulated to all PI assignees and managers and departmental PI co-ordinators have been asked to raise data quality at Departmental Management Teams and explain the need for this more robust approach. Directors have been requested to take any opportunities to raise Data Quality in routine discussions with managers and teams.

b) More robust PI audit process

A twelve step process has been developed to record progress against twelve audit milestones (see **Appendix B**) as currently problems emerge too late to be fixed. The process will be managed through the Council Performance management system to allow for reporting and actions to be taken at an earlier stage. Progress against these milestones is being reported to CMT regularly.

The number of PI's initially subject to the process is approximately 200 with priority being given to National Indicators (NIs) where the Council is responsible for data collection and/or reporting and Local Performance Indicators (LPis) included in the Local Area Agreement.

c) Briefing sessions for all PI assignees/managers

Five Data Quality sessions were held through December 2008 and January 2009 with a total of 75 officers attending these briefings and a further 19 have been briefed by PI co-ordinators within departments.

The sessions covered why data quality is important, Internal Audit's role in the process, an exercise to identify data quality issues and a demonstration on how responsible officers record progress against the twelve audit milestones for each PI on the Council Performance management system.

d) Internal Audit PI audit process

Following a risk assessment of all PI's by the Policy and Performance Team 22 PI's have been selected for internal review. Internal Audit will complete these audits from March onwards.

4. RECOMMENDATIONS

4.1 It is recommended that Members note the contents of the report.

Appendix A

Hartlepool Borough Council

PERFORMANCE MANAGEMENT INFORMATION

DATA QUALITY POLICY AND SUPPORTING INFORMATION

April 2008

Revisions/approvals

Date	Revision	Who
November 2006	Clarified responsibilities for performance management and data quality - see Performance Management Portfolio holder report 21/12/06.	Peter Turner
February 2007	Revision of procedure note as strategy and policy	Peter Turner
March 2007	Amendments based on comments from PI Coordinators and others	Peter Turner
April 2007	Approved by Performance Management portfolio holder 23 April 2007	Peter Turner
April 2008	Amendments following DQ audit 2007 and PI audit 2007	Peter Turner
May 2008	Distribute to PI Coordinators and Portfolio Holder	Peter Turner

Supporting info – link to:

[Audit Commission guidance November 2007](#)

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1. Introduction

The Council recognises the importance of using reliable data for performance management and service planning purposes (i.e. data which is relevant, accurate, timely and complete) and having appropriate procedures in place to ensure the reliability of performance information being used.

Councillors, managers and partner organisations need to be able to rely on information produced to make sound decisions on spending, service planning or performance improvement. The general public also needs to have trust and faith in the quality of data used to support decisions and reported to them.

Examples of why the policy is required include:

- The policy supports the overall aim of the council by making sure that accurate and trustworthy data are used in the decision making and planning processes.
- As the accountable body for Hartlepool's Local Area Agreement (LAA) accurate, trustworthy and timely data is essential to maximise the reward grant and keeping performance on track.
- In part the Council's reputation is based on its Comprehensive Performance Assessment (CPA) result determined by the Audit Commission (AC) and this depends greatly upon performance indicator data to decide the overall performance category of each authority.
- From 2005/6 the Audit Commission approach to the audit of performance information changed and they now form a judgement on the adequacy of the Council's arrangements to monitor the quality of its performance information, and to report the results to members rather than assess individual PIs. This judgement will form one of the criteria on which the annual use of resources/value for money conclusion will be based.

This policy and its associated supporting information and delivery plan sets out the council's approach to data quality, providing clear guidance to relevant staff for putting in place appropriate controls and other mechanisms aimed at checking and validating data that is produced for performance management.

Sections 2-5 - sets out the further background aims and objectives and scope of the policy

Section 6 - sets out information to support the implementation of the policy and this is regularly reviewed

2. Links to other policy areas

The Data Quality policy is linked to and supported by a number of other policies and processes. These are:

- Performance Management Framework – sets out the arrangements for service planning and management. The Assistant Chief Executive leads on the implementation of the framework.
- Information Security policies - the Council has a suite of Information Security policies to ensure that data resources are held securely and in accordance with all relevant legal requirements and has procedures in place to prevent misuse of personal data which apply to all information systems. The Information Security Group leads the implementation of these policies.
- Business Continuity - All departments have prepared Business Continuity Plans. The BC Group leads the implementation.
- Risk Management Strategy – ensures risks to the achievement of council objectives are identified and controlled. The CRMG leads the implementation of the strategy and oversees the completion of the Annual Governance Statement.
- Corporate Consultation Strategy – the Corporate Consultation Group lead on the implementation of the strategy

3. Aims and objectives of the data quality policy

The policy aims are:

- For HBC to be recognised for good practice on the collection, recording, analysis and reporting of accurate, reliable and consistent performance data to inform the decision making process
- Provide council employees with a framework to ensure sufficient action is being taken to meet the data quality objectives set
- Meet external audit standards and requirements

It is not possible to apply a universal process covering the collection and collation of performance data as each measure is subject to its own method of counting. However, common framework and principles of accurate data collection and collation can be applied in order to increase the level of confidence in the quality of performance data used.

Collecting performance information efficiently and effectively requires a balance to be struck between the need to maintain the data quality required the level of resources required to collect and use the data. Within this context the data quality policy objectives are:

- To ensure that the Council's performance data is relevant, accurate, timely and complete;
- To ensure that where data is exchanged with other organisations appropriate protocols are in place;
- To ensure that the quality of data is regularly monitored and checked;
- To ensure that appropriate mechanisms are in place to keep relevant staff aware of the Council's data quality requirements and provide with suitable training.

4. Scope of the policy

A wide range of council employees play a role in ensuring data quality but it is recognised that certain individuals and groups are key to this process. These include:

- Corporate Management Team and Departmental Management Teams (CMT/DMTs)
- Heads of service/service managers
- PI Co-ordinators (PIC)
- PI responsible officers (PIROs)

The responsibilities of these groups are set out in appendix 1.

Members also play a role. The portfolio holder for Performance Management is the lead councillor for performance management which includes data quality and the remit includes data quality (see report to Performance Management Portfolio holder 21 December 2006).

Other executive and scrutiny members are primarily consumers of performance information.

The policy is relevant to quantitative data used to monitor and report (both internally and externally) on the performance of council services including those delivered through partnerships and by contractors. This would include information gathered through surveys.

5. Policy statement

The policy requires that:

- The data quality policy and associated supporting information will be reviewed at least once a year and any changes required will be implemented

- A list of the officers and members with responsibility for the implementation of the data quality policy will be kept up to date
- Key people/groups within the scope of the policy will be briefed and provided with relevant information
- A risk assessment of PIs will be conducted at least annually
- Internal testing of data quality arrangements will be completed at least annually
- National PI data submitted will be complete, on time and accurate
- The external audit will be facilitated and timely response made to recommendations
- The lead elected member for data quality will be kept informed of data quality issues as appropriate
- The Data Quality audit report will be reported to the Audit Committee

6. Appendices - Supporting information and guidance as at March 2007

Appendix 1 Current responsibilities and procedures

Governance – leadership and implementation responsibilities

The portfolio holder for Performance Management is the lead councillor for performance management which includes data quality. At a member level the Performance Management Portfolio holder has responsibility and for ensuring data quality (see report to Performance Management Portfolio holder 21 December 2006).

The overall corporate responsibility in relation for performance management rests with the Assistant Chief Executive and the Corporate Strategy division. The Corporate Management Team (CMT) supports the ACE in ensuring that the objectives of this Strategy are applied in their departments.

Day to day responsibility for corporate aspects of performance management is delegated to Peter Turner, Principal Strategy Development Officer, who considers issues relating to performance and data quality and where necessary reports significant issues to CMT.

Departments have day-to-day responsibility through their own management procedures for performance management within the departments and their own performance information.

Within departments responsibility rests with departmental management teams and service managers. Each department has appointed a PI Coordinator to oversee performance information management arrangements.

- Chief Executive's – Peter Turner, Wally Stagg, John Morton, Sandra Shears (cost PIs), Liz Crookston (Place Survey PIs)
- Adult and Community Services – Trevor Smith
- Children's Services – Kay Forgie
- Neighbourhood Services – Carol Davis and Steve Russell
- Regeneration and Planning – Jeff Mason

Specific arrangements are in place for the calculation of cost PIs and BVPI survey. Finance division have lead responsibility for the calculation of all cost PIs. Corporate Strategy have lead responsibility for the administration of the Place surveys which are carried out every 2 years. This includes submission of the data and dissemination of the information.

DMTs support PI coordinators in ensuring objectives of this Strategy are applied in their departmental services.

Service managers are responsible for the complete, timely and accurate reporting of data in their area of activity including relevant national and local performance indicators (PIs). They are also responsible for ensuring that staff are aware of their responsibilities in this area and are provided with an appropriate level of training and guidance.

Responsible officers are identified for each PI monitored corporately, including responsibility for data collection, data quality and target setting.

Corporate actions in relation to performance management are identified in the Corporate Strategy divisional service plan. The Council's Corporate Plan includes the organisational development objective of "Development of Service Planning and Performance Management Arrangements" (ref CO90) which encompasses arrangements for PI data quality, demonstrating the authority's commitment to ensuring robust but appropriate arrangements are in place. Progress is managed by Andrew Atkin and monitored by the Chief Executive's Management Team and the Performance Management Portfolio Holder as part of quarterly reports on the service plan.

Communications

Communication regarding data quality is primarily through the PI Coordinators through regular meetings and email and phone contacts. Arrangements are in place with the Assistant Chief Executive to escalate any issues which may require it for consideration at Director/Assistant Director level. Ensuring an appropriate buy in to PI data quality at an operational level but also providing the opportunity to deal effectively and at a senior level with other issues should the need arise.

PI coordinators have responsibility for cascading info to PIROs and within their departments or divisions.

Procedures and controls

The corporate framework for monitoring data quality includes the following. Lead responsibility shown in bold.

- **Corporate Strategy** undertakes a risk analysis of all corporately reported PIs on an annual basis. This takes into account previous history of data quality issues, use of PI information (e.g. CPA, LPSA) and changes to definition/introduction of new PIs.
- **Internal Audit** are tasked annually with undertaking reviews of each selected PI and identifying control issues which are rated as High, Medium or Low (see Appendix 3 for list of testing objectives). Recommendations from Internal Audit are distributed to Corporate Strategy, service managers and PIROs.
- PI challenge prior to reporting. This includes the assessment of annual PI returns and follow-up of queries. Examples of these quality checks have

included robustness of base data, calculation methods compared to definition – **Departments/Corporate Strategy**

- Departments identify risks, control measures in place and planned control measures associated with their functions in the Corporate Risk Management database. The relevant risk categories for data quality would include Information and technology, Contractors, partners or suppliers and Reputation - **Departments**
- Clear roles and responsibilities for Corporate Strategy, PI Coordinators and PI responsible officers (PIROs) in relation to PIs are established (see above). These are recorded in the PI database and updated at least annually- **Corporate Strategy**
- **Departments** are required to prepare procedure note for each PI collected corporately. Procedure notes are assessed as part of Internal Audit PI reviews to ensure that practice and data reflect procedures notes and definitions. Essentially what auditors want to see is all the relevant information brought together in one file.
- **Corporate Strategy** organises and coordinates the annual PI collection process. This process is structured and subject to CMT approval. All performance measures included in the corporate plan are subject to approval by the Assistant Chief Executive and Corporate Management Team. The outline timetable is:

Corporate Strategy	Prepare project plan and timetable, obtain approval from CMT – Dec
Corporate Strategy	Prepare database with all relevant information (see field list) – Jan Feb
Corporate Strategy	Distribute forms to PI coordinators – Feb
PI Coordinators	Distribute forms to PIROs – Feb
PIROs	Complete and return forms and working papers – Apr-May
PI Coordinators	Check and return forms and working papers to Corporate Strategy – Apr-May
Corporate Strategy	Check forms and resolve queries with PI coordinators/PIROs. Explanatory comments obtained for PIs which vary + - 10% from previous outturn or target. Queries recorded on database and used as input to following years risk analysis – Apr-June
Corporate Strategy	Submit data via EDC system to Audit Commission – June

Guidance notes are included in the standard outturn and target forms provided for collection and reporting of PIs.

Regular contact with PI coordinators is maintained to identify issues and consider improvements as required. In particular meetings are held at the beginning and end of the PI collection process. **Corporate Strategy**

Corporate Strategy team provide first line of support. In addition support is also provided via Internal Audit and external support is occasionally sought from via external auditor and Audit Commission PI team.

Training of staff is the responsibility of the individual **departments**. Where responsibility changes as a result of staff turnover or reorganisation then

support would be provided as part of the usual induction, training and appraisal processes. For example Adult and Community Services have provided support to Children's Services Department to ensure adequate arrangements are in place to collect social care PIs following the corporate restructure.

- Corporate reporting of PIs - PI information collected corporately is used and reported in a number of ways, following formal publication in June as part of the Council's corporate plan. – **Corporate Strategy**

July - report giving overview of improvement, targets met and comparison with Tees Valley neighbours and CPA and national quartile benchmarks. Report identifies potential improvement areas e.g. bottom quartile service areas/function. Report considered by CMT, Cabinet and Performance Management Portfolio Holder

January - report giving overview of improvement, targets met and comparison with Tees Valley neighbours and CPA and national quartile benchmarks (used latest national data). Report considered by CMT, Cabinet and Performance Management Portfolio Holder.

- **Departments** undertake further reporting as they require.

Roles and responsibilities

CMT/DMTs/service managers

Provide support and show leadership to encourage use of performance information and importance of data quality

Departmental PI Coordinators

Disseminate information to PIROs

Quality control check PI forms prior to return to CSPI team

Internal departmental controls reviewed at least annually to ensure they are working effectively

Regularly monitor latest PI news on the Audit Commission website and distribute relevant info

Co-operate with Internal Audit staff undertaking PI reviews

Follow up and monitor recommendations from Internal Audit

Co-operate with Audit Commission auditor undertaking annual PI audit

Provide CSPI with changes to PIROs

Ensure Data Quality Policy implemented within department

Liaise with Corporate Strategy PI team e.g. attend Pi Coordinator meetings

PI responsible Officers (PIROs)

Ensure system in place along with appropriate control measures, to collect PI information in accordance with definition including any necessary validation, reconciliation, consistency and accuracy checks on data

Monitor and take account of PI definition changes and guidance on interpretation

Fully complete and check PI forms prior to return to PI Coordinator

Maintain file(s) with all key information relating to a PI

Where appropriate feedback reported to staff that generate the data to reinforce understanding of the way it is used

Co-operate with Internal Audit staff undertaking PI reviews

Act on recommendations from Internal Audit PI reviews

Co-operate with Audit Commission auditor undertaking annual PI audit

Provide all appropriate working papers required for AC audit purposes

Corporate Strategy PI (CSPI) team

Regularly monitor latest PI news on the Audit Commission website and distribute relevant info to PI Co-coordinators

Distribute latest national ODPM PI guidance to PI coordinators

Organise PI collection process at year end

Risk assess PIs - October each year

Liaise with Internal Audit on completion of audit tests on selected PIs

Quality control check all PI forms returned, raise queries with departments and resolve

Submit PIs to Audit Commission each year via EDC system and organise responses to

Monitor action of high priority recommendations from Internal Audit

Liaise with Audit Commission re on site PI audit

Complete annual review of PI process and feedback to PI coordinators at end of AC audit

Maintain lists of PI Co-ordinators and PIRO's.

Liaise with Pi Coordinators e.g. arrange meetings as required






Internal Audit








Undertake audit tests on selected PIs and report on control issues to service managers, PIROs, PI Coordinators and CSPI



Appendix 2 Corporate Data Quality Annual Action Plan 2008/9





Data Quality Action Plan 2008/9









Action Status	
	Completed
	Assigned; In Progress
	Unassigned; Check Progress; Not Started
	Overdue
	Cancelled

CED A200 To ensure that the Council's performance data is relevant, accurate, timely and complete							
Status		Progress	18 %	Start Date	13/05/2008	Due Date	31/05/2009
	Code and title			Assigned to	Due date	Status and progress	
Sub actions	CECS A201 Complete collection of 2007/8 PIs			Sajda Banaras	30/06/2008		10 %
	CECS A202 Publish national BVPI data via EDC and Corporate Plan			David Hunt	30/06/2008		0 %
	CECS A203 Facilitate the external audit of 2007/8 PIs			Peter Turner	30/09/2008		0 %
	CECS A204 Review Data Quality policy - Update the data quality policy to cover partnerships and contractor arrangements.			Peter Turner	30/04/2008		100 %
	CECS A205 Complete annual up date of PI database remove redundant PIs, add new PIs			David Hunt	31/03/2009		0 %
	CECS A206 Undertake 2008/9 PI collection			Kerry Trenchard	31/05/2009		0 %
					Traffic light	Current value	Target
Linked PIs	LPI CE10 PIs qualified as a result of external audit			David Hunt	Red	1	0
	LPI CE9 PIs amended as a result of external audit			David Hunt	Red	2	0
Linked Risks	CED R063 Lack of data quality for performance information results in poor decision making and worsening performance			Peter Turner	Amber		

CED A201 To ensure that where data is exchanged with other organisations appropriate protocols are in place							
Status		Progress	0 %	Start Date		Due Date	30/06/2008
	Code and title			Assigned to	Due date	Status and progress	
Sub actions	CECS A207 Identify relevant PIs, include in 2008 PI risk assessment for internal audit			Sajda Banaras	30/06/2008		0 %

CED A202 To ensure that the quality of data is regularly monitored and checked;							
Status		Progress	0 %	Start Date		Due Date	30/06/2008
	Code and title			Assigned to	Due date	Status and progress	
Sub actions	CECS A208 Challenge 2007/8 PIs and targets when annual return completed			Sajda Banaras	30/06/2008		0 %
	CECS A209 Complete PI risk assessment for 2008/9 PIs			Sajda Banaras	30/06/2008		0 %
	CECS A210 Complete/Organise testing by Internal Audit of selected 2008/9 PIs			Sajda Banaras	30/06/2008		0 %

CED A203 To ensure that appropriate mechanisms are in place to keep staff aware of the Council's data quality requirements and provide suitable training

Status		Progress	5 %	Start Date	13/5/2008	Due Date	31/03/2009
Sub actions	Code and title			Assigned to	Due date	Status and progress	
	CECS A211 Deliver Covalent training for PI update incl DQ e.g PI sign off arrangements			David Hunt	31/07/2008		0 %
	CECS A212 Implement PI control sheets			Sajda Banaras	31/07/2008		25 %
	CECS A213 Ensure plans are in place to respond to Audit Recommendations			Sajda Banaras	31/08/2008		0 %
	CECS A214 Feedback to PI coordinators on data quality eg review of last 12 months internal external PI reports			Peter Turner	31/10/2008		0 %
	CECS A215 DQ reports to PfH, Scrutiny and Audit Committee			Peter Turner	31/03/2009		0 %

Reported annually

Appendix 3 Objectives for Internal Audit's PI testing

The audit programme is designed to test and evaluate the controls in place by carrying out substantive testing to ensure compliance with the Data Quality Policy overall and in the following specific areas:

Verifying that the calculation of the BVPI is in line with guidance issued

Ensure that the department/section responsible for collecting the data relating to the BVPI have up to date procedure/guidance notes in line with the definition and that these are being adhered to,

Ensure that there are arrangements in place to provide satisfactory evidence that the information provided is accurate and that this is easily identifiable (referenced to calculations etc) and retained,

Ensure that the methods used to collect the information are adequate i.e. reports obtained,

Identify record and test the systems from which the data is extracted to ensure that the information fed into the BVPI is complete and accurate.

Appendix 4 Guidance on control measures for PIs - overview

This Appendix provides a framework for Internal Audit, PI Coordinators and PIROs to assess data quality and the controls in place for performance information. It may not be possible to apply the whole framework to every PI as each measure is subject to its own method of counting. However, elements of the framework could be applied to most PIs in order to increase the level of confidence in the quality of performance data used.

Some types of controls can be applied to most if not all data systems. These include: allocation of responsibilities; clear definitions; good documentation; and management review of data reliability including tests of the credibility, consistency and completeness of data collection.

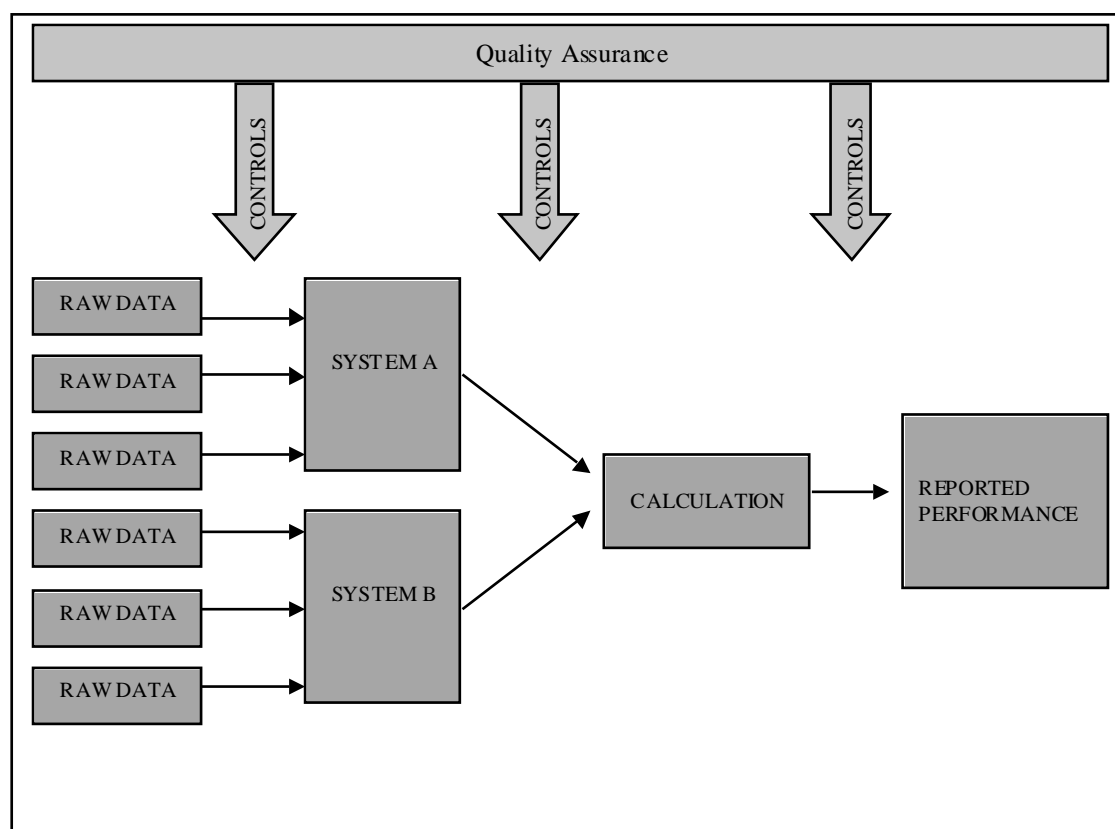
These can all help to spot errors in the data before the final figure is reported.

Producing Reliable Data

In order to report performance information, data must first be collected before it can be aggregated and calculated to produce the required PI, as shown by the diagram below.

At each of these stages there is a risk that the accuracy of the data will be compromised either due to human or system errors. Therefore at each stage appropriate controls need to be implemented to control this risk, and increase the reliability of the data.

Diagram 1 - Individual Indicators



For example, controls might be:

- approval of the of the raw data before it is input onto the system;
- a validation check in a computer system;
- a second person verifying the calculation has used the right source data.

Producing Verifiable Data

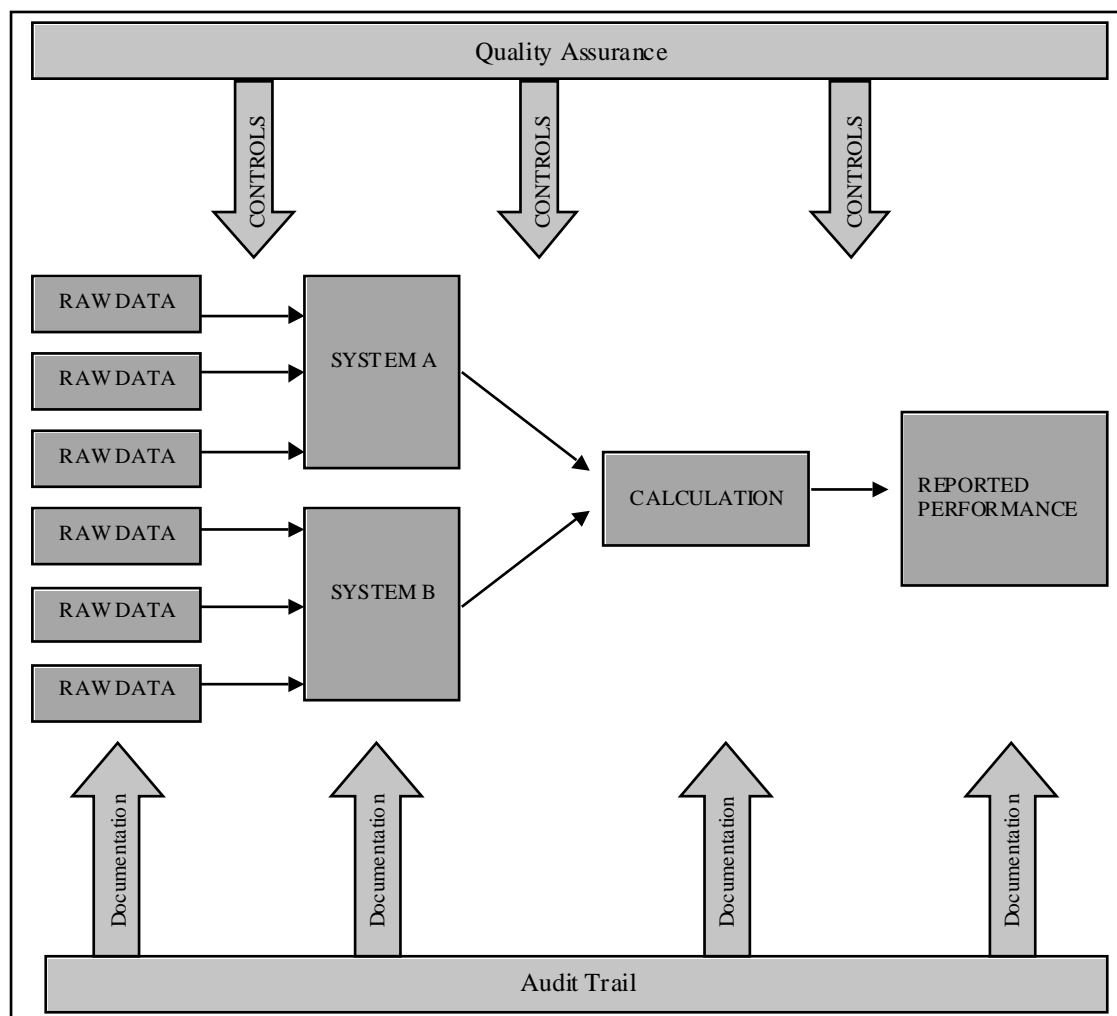
Performance indicators need to be collected and calculated in a way that enables the information and data to be verified.

Documenting the systems and controls in place to produce PIs, will help with:

- training up new members of staff;
- providing a safety net in case of employee absence;
- Internal Audit reviews; and external audit and inspection.

All indicators should have documented evidence available for each stage in the PI collection process, making it possible to verify them. There should be a clear audit trail for each performance indicator that allows managers/auditors to trace the performance information from the original data or transactions through the system to the PI result itself.

Diagram 2 - Audit Trail



For example, documentation might be:

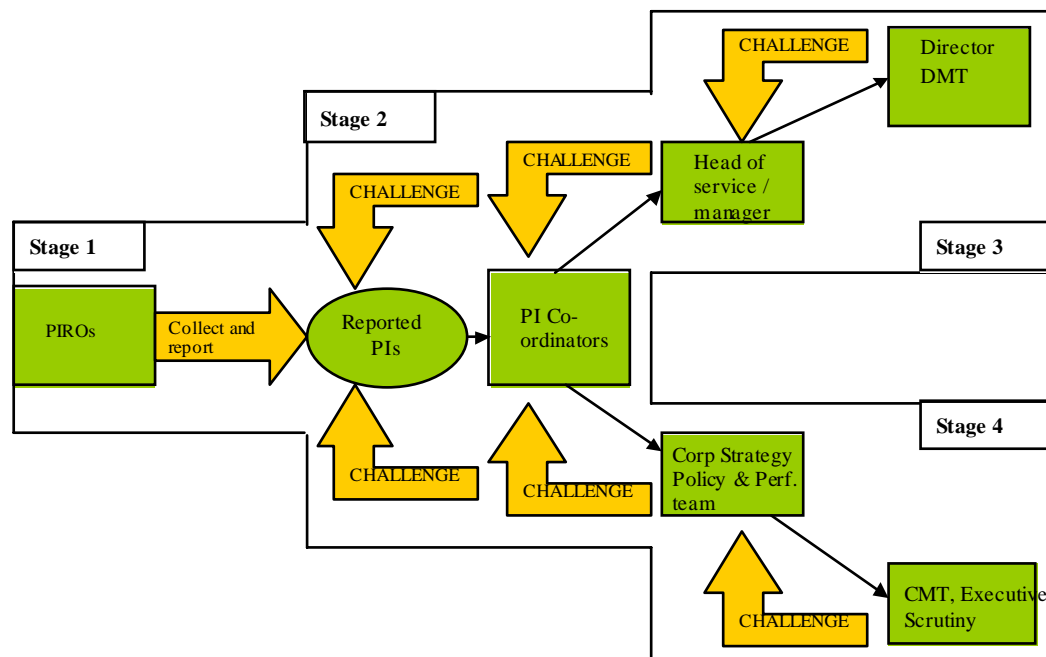
- Procedure file regularly updated;
- Reconciliation of systems
- Sampling of systems to ensure correct operation
- the fully completed PI form showing final calculation and references to supporting documentation.

Where data is provided from 3rd party sources, contractual arrangements and appropriate protocols should be in place.

Service, Departmental and Corporate View

Once the performance indicators and associated targets have been produced by the PIRO, to provide added assurance, the information needs to be subject to challenge at a department and corporate level. All levels of challenge, and any resulting amendments, should be documented, as evidence that the process has been followed. The diagram below gives an overview of the arrangements in place to

Diagram 3 - Service, Directorate, Corporate View



Stage 1 – The PIRO calculates the PI, provides supporting evidence and reports to the PI Coordinator.

Stage 2 - The PI Coordinators and the PIROs immediate head of service or line manager are best placed to review the data collection processes and challenge performance, as they should have a detailed knowledge of how the information is produced.

Stage 3 - Heads of Service and Directors have an understanding of the general performance of the services and can therefore challenge performance information within the context of the service as a whole.

Stage 4 - The corporate level challenge will bring an objective view of performance, and will be able to question assumptions made at service level.

Appendix B

Data Quality Guidance on Completing Covalent milestones

As discussed at the Data Quality Briefing Sessions (please speak to your Departmental PI Coordinator if you did not attend) for each National Indicator and LAA Indicator a number of Data Quality milestones have been introduced to ensure that the year end PI outturn is accurate and can be evidenced as such.

For each PI the following milestones should be completed, and recorded within Covalent against the corresponding action (For Example: Indicator “**NI 1**” will have data quality action “**DQ NI 1**” – accessible through the “related links” section from within both the PI or the Action. Both should also be visible through the responsible officers homepage or through the usual channels (query/my profile)).

The following table details the milestones and what is required within Covalent, and where appropriate where the information should be recorded. Please note that the all of the information that is requested should be recorded against the Performance Indicator. Once it has been completed, the relevant milestone can be ticked off as completed – and the milestones are located within the action.

	Milestone	Due date	Note	Covalent fields to be completed
1	PI definition and supporting guidance recorded	12/12//08	<p>Upload PI definition to Covalent. If PI is an NI then definition should be on the system. Record “pre loaded” in [Data Quality – PI Definition field] .</p> <p>Complete all supporting information. If PI is an NI then definition should be on the system. Record “pre loaded”. [Guidance – all fields]</p> <p>This demonstrates there is a clear and documented definition of the PI.</p>	<p>[Data Quality – PI Definition field]</p> <p>[Guidance – all fields]</p>

	Milestone	Due date	Note	Covalent fields to be completed
2	Responsible staff recorded	12/12/08	Ensure that staff responsible are included on PI ownership and responsibility This demonstrates that management have agreed responsibilities for data quality	
3	Statement of purpose recorded	12/12/08	Enter statement explaining why is data is collected? E.g. Government return, service management [Data Quality – Rationale for PI field] This demonstrates management have agreed and understand the purpose of collecting the information.	[Data Quality – Rationale for PI field]
4	Other contributors recorded	16/1/09	Enter list. Who provides data? Are their processes compliant? [Data Quality – Other organisations field] This demonstrates that management understand who is involved and recognise they must take steps to ensure data quality with these organisations.	[Data Quality – Other organisations field]
5	Process documentation recorded	16/1/09	Enter or upload document explaining procedures for collecting and entering data. If upload document then enter “See uploaded document < name> ” [Data Quality – PI Process field] This demonstrates there is a documented process to follow.	[Data Quality – PI Process field]

	Milestone	Due date	Note	Covalent fields to be completed
6	Data quality control procedures recorded	13/2/09	<p>Enter or upload document(s) describing data quality controls. If upload document then enter “See uploaded document < name> ”</p> <p>[Data Quality – PI Data quality controls field]</p> <p>This demonstrates management have discussed data quality and identified what they wish to do to ensure the data and information is of an appropriate standard.</p>	[Data Quality – PI Data quality controls field]
7	Data quality control results	17/4/09	<p>Upload document(s) describing/authenticating results from data quality controls and any action required</p> <p>This demonstrates management have completed what they said they would do at milestone 6.</p>	
8	Raw data location	17/4/09	<p>Upload data or document specifying location of data. Personal data not to be uploaded.</p> <p>[Data Quality – Location of Data field]</p>	[Data Quality – Location of Data field]
9	Outturn recorded	15/5/09	Enter data on Data tab of Covalent	
10	Performance commentary recorded	15/5/09	Enter Note on PI screen.	
11	Targets recorded	15/5/09	<p>Enter targets on system and commentary explaining rationale for targets</p> <p>[Data Quality – Commentary on targets field]</p>	[Data Quality – Commentary on targets field]

	Milestone	Due date	Note	Covalent fields to be completed
12	Sign off by senior manager	15/5/09	Senior manager enters Note on PI screen and/or scanned document attached if manager non Covalent user. This demonstrates a named officer takes responsibility for data quality for this PI.	