

AUDIT COMMITTEE AGENDA



Friday 25th June 2010

at 9.00 am

**in Committee Room A,
Civic Centre, Hartlepool**

MEMBERS: AUDIT COMMITTEE:

Councillors C Akers-Belcher, Hall, Hill, J W Marshall, McKenna, Preece and Turner.

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 May 2010
4. **ITEMS FOR DISCUSSION/DECISION**
 - 4.1 Audit Commission Report – Audit Opinion Plan – *Chief Finance Officer*
 - 4.2 Audit Commission Report – Audit Progress – *Chief Finance Officer*
 - 4.3 Internal Audit Plan 2010/11 Update – *Head of Audit and Governance*
 - 4.4 2009/10 Statement of Accounts – *Chief Finance Officer*
5. **ANY OTHER ITEMS WHICH THE CHAIR CONSIDERS ARE URGENT**

AUDIT COMMITTEE

MINUTES AND DECISION RECORD

18 May 2010

The meeting commenced at 2.00 p.m. in the Civic Centre, Hartlepool

Present:

Councillor A Preece (In the Chair)

Councillors Ged Hall and Mike Turner

In accordance with Council Procedure Rule 4.2 (ii), Councillors Stephen Akers-Belcher and Frances London were in attendance as substitute for Councillors Christopher Akers-Belcher and Caroline Barker respectively

Officers: Chris Little, Chief Finance Officer
Noel Adamson, Head of Audit and Governance
Sarah Bird, Democratic Services Officer

Also Present Councillor Barker was in attendance but took no part in the meeting as Councillor London was already in attendance as Councillor Barker's substitute

24. Apologies for Absence

Councillors Christopher Akers-Belcher and Caroline Barker

25. Declarations of interest by members

None

26. Confirmation of the minutes of the meeting held on 16 March 2010

The minutes were agreed as being an accurate record.

27. Internal Audit Outcome Report 2009/10 (*Head of Audit and Governance*)

Purpose of Report

To inform Members of the outcomes of audit work covering the period April 2009 to March 2010.

Issues for Consideration

The Head of Audit and Governance reported that because of sufficient staffing being in place, all high risk functions had been reviewed and a programme of work covering all Council departments had been achieved in 2009/10. Appendix A to the report detailed those Audits which had been carried out. The Head of Audit and Governance had reached the opinion that reliance could be placed on the adequacy and effectiveness of the organisation's control environment. Satisfactory arrangements were in place to ensure the effective, efficient and economic operation of Hartlepool Borough Council's financial affairs. Members were reminded that in 2008/09 the deadline for Internal Audit to carry out all follow ups had not been met, however this had been rectified in 2009/10. The Chief Finance Officer indicated that the Audit Commission had completed their detailed three year review of Internal Audit and the review had not identified issues. The Chief Finance Officer commented that the newly installed Audit software had benefited the department in that it reduced costs and ensured that reports were submitted in a timely manner.

It was clarified to Members that the team would be made aware of any upcoming inspections by the Audit Commission although it would not be known which areas would be reviewed. The Audit Commission would provide feedback only if there were areas of concern. It was reported that the 10% target in Performance Indicators related to a random sample of files which were cross checked by the Head of Audit and Governance for quality control purposes.

Decision

The Committee noted the content of the report and congratulated the Team on its achievements.

28. Role of the Chief Finance Officer (CFO) in Public Service Organisations *(Chief Finance Officer)*

Purpose of Report

To inform Members of the Chartered Institute of Public Finance and Accountancy (CIPFA) statement 'The Role of the CFO in Public Service Organisations', and how the Council complied with this guidance.

Issues for Consideration

The CFO explained that this was new guidance recently introduced by CIPFA after collation of Best Practice of statutory requirements in which the Local Authority must comply with requirements or if not, explain why not. The five key principles of the role of the CFO were detailed in section 3 of the report and the appendix to the report detailed how this Authority

complied with these.

A Member asked whether the requirements may change with new examples of Best Practice and was informed that this may happen but the current requirements were very comprehensive.

A Member queried whether rumours that receipts for Local Authority expenditure over £500 should be made available for public verification would affect the role of the CFO. The CFO said that this could be resource intensive and there could be Freedom of Information (FOI) issues, but the Authority had Information Technology (IT) systems in place which would make this easier to comply with.

A Member also asked whether reports that Prudential Borrowing may be capped could affect decisions on borrowing requirements. The CFO said that it would be difficult to control Local Authority borrowing although Central Government could deny revenue grants. He added that if there was revenue pressure this could affect capital investment which would have the effect of deterioration of public assets. This could also impact on employment in the private sector therefore there was a need to lobby hard for investment in the North East especially Hartlepool.

A Member asked whether any funding which was already promised could be withheld and was informed that this could happen although may be impractical to implement. One such outstanding grant was the performance reward grant from the Local Public Service Agreement (LPSA) agreement which was yet to be finalised.

Decision

Members noted:-

- that the CIPFA statement 'The Role of the CFO in Public Service Organisations' was complied with by this Authority as detailed in Appendix A to the report
- that an annual review of compliance with the CIPFA statement would be undertaken and reported to the Committee.

29. Responsibility for Approving Statement of Accounts (Chief Finance Officer)

Purpose of Report

To remind members of the Audit Committee's role and responsibility for approving the Annual Statement of Accounts.

Issues for Consideration

The report set out the responsibilities of the Chief Finance Officer, External

Auditor and Members in relation to the approval of the accounts. Although the timescale was tight in relation to Members' approval of the draft accounts, there was still opportunity for Members to query anything whilst the accounts were being reviewed by Audit Commission during July and August.

A Member referred to the creation of a Strategic Risk Reserve as outlined in paragraph 4.2 of the report and asked about the size and management of this. The Chief Finance Officer said that for a number of years the Authority had set aside specific reserves to deal with specific risks. However certain risks were difficult to quantify e.g. equal pay and equal value issues. The recession was affecting some revenues, e.g. parking and planning and this trend was expected to continue in the near future. Cabinet and Council had been advised in February that it is anticipated the Authority has enough reserves set aside to cover immediate needs in relation to these risks, although more money would need to be set aside in future years for these. The current shortfall was £1.5 million which was lower than the shortfall forecasted in February. Members were informed that the General Fund reserve had a minimum balance of 3% of the Authority's budget which the Authority is expected to maintain.

Decision

Members noted the report.

30. Review of the Effectiveness of the System of Internal Audit *(Chief Finance Officer)*

Purpose of Report

To inform members of the outcome of the review of the effectiveness of the system of Internal Audit in compliance with the Accounts and Audit Regulations (England) 2003 as amended 2006.

Issues for Consideration

The report outlined the background to the requirement for a review of the effectiveness of the internal audit system. This had been carried out by the Chief Finance Officer by:-

- Reviewing the planning and development work undertaken by Internal Audit in producing an annual audit plan
- Reviewing the ongoing use and effectiveness of the new audit software
- Undertaking of monthly performance reviews with the Head of Audit and Governance

The CFO was satisfied that the system of internal audit was operating effectively in accordance with the requirements of the Accounts and Audit

Regulations 2003 (amended 2006). The Audit Commission use of resources assessment had maintained a score of 3 out of 4 which the CFO considered to be a good result because the standards required for this score had been raised. Members were informed that because of the recently installed audit software, fewer staff were able to produce more work.

Members praised the achievements of the department despite having fewer members of staff than previously. It was established that the reduction in staff had not affected the department's ability to carry out any additional unplanned audits as there was flexibility in the programme of work and a small budget provision for either overtime or agency staff if required.

A Member asked whether the possible requirement of having invoices available for public inspection would impact on the work of the department and was informed that it would probably impact on the accountancy and payments teams, although the Audit Team would have to monitor that requirements were being adhered to.

Decision

Members approved the findings of the review of the effectiveness of the system of internal audit.

31. Annual Governance Statement 2009/10 *(Chief Finance Officer)*

Purpose of Report

To inform Members of the implications to the Council of the Accounts and Audit Regulations (England) 2003 as amended 2006 requirement; that the Council publish an Annual Governance Statement (AGS) with the Financial Statements, and the action undertaken by the Council to meet its obligations within the scope of the Regulations.

Issues for Consideration

The Head of Audit and Governance informed Members that the AGS was a legal requirement and the report detailed the need for the statement, who was responsible for its production and how it was produced. The appendix to the report was the actual AGS. Section 3 of the appendix outlined issues raised in the 2008/09 AGS and what the Authority had done to address these issues. Section 4 of the AGS described in detail the arrangements the Authority has in place. Also detailed in the AGS were how these arrangements were reviewed and any significant governance issues.

Officers confirmed that if issues were highlighted then measures would be put in place to respond to these.

A Member highlighted a risk whereby the Authority may be performing well

in a particular area but if Partners did not perform as well, then this could affect the overall performance of the Authority.

A Member also asked whether Officers were obliged to declare an interest with respect to issues such as procurement of services. The Chief Finance Officer said that senior managers were obliged to sign an annual declaration. He was confident that procedures in place were robust enough to minimise any risk that officers could abuse their position. Officer gifts and hospitality were monitored in order to protect the integrity of the individual and in turn that of the Authority. It was established that any allegations would be thoroughly investigated and there was a legislation in place with regard to whistle blowing to safeguard the identity of anyone who wished to remain anonymous.

Decision

Members approved the 2009/10 Annual Governance Statement which was attached to the report as Appendix A.

The meeting concluded at 3.10 pm.

CHAIR

AUDIT COMMITTEE

25th June 2010



Report of: Chief Finance Officer

Subject: AUDIT COMMISSION REPORT- AUDIT
OPINION PLAN.

1. PURPOSE OF REPORT

- 1.1 To inform Members of the Audit Committee that arrangements have been made for a representative from the Audit Commission to be in attendance at this meeting, to present the content of the Audit Commissions Audit Opinion Plan Report.

2. BACKGROUND

- 2.1 This report sets out the audit work that the Audit Commission propose to undertake for the audit of financial statements 2009/10. The plan is based on the Audit Commission's risk-based approach to audit planning. It reflects:

- audit work specified by the Audit Commission for 2009/10;
- current national risks relevant to local circumstances; and
- local risks.

3. FINDINGS OF THE AUDIT COMMISSION

- 3.1 Details of key messages from the work to be carried out are included in the main body of the report attached as **Appendix 1**.

4. RECOMMENDATIONS

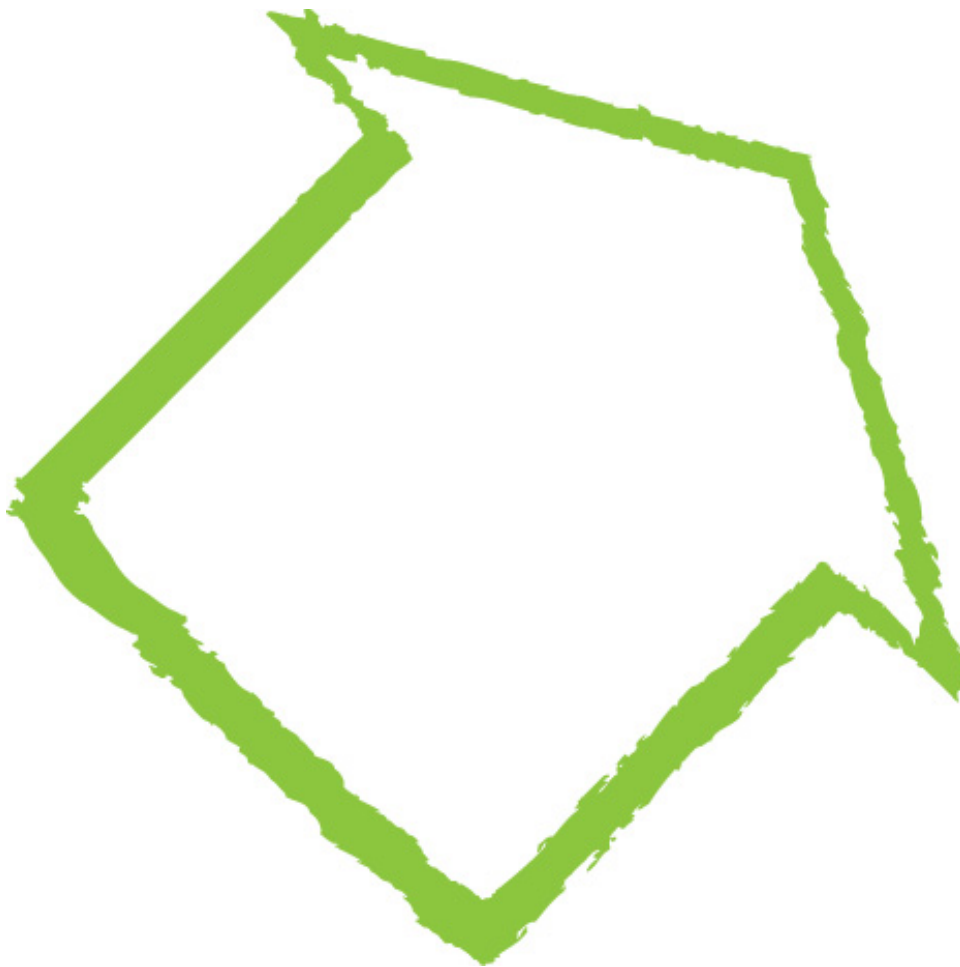
- 4.1 That the Audit Committee:
- i. note the report of the Audit Commission

Audit Opinion Plan

Hartlepool Borough Council

Audit 2009/10

June 2010



Contents

Introduction	3
Responsibilities	4
Fee for the audit of financial statements	5
Auditor's report on the financial statements	6
Identification of specific risks	7
Testing strategy	9
Key milestones and deadlines	10
The audit team	11
Appendix 1 – Basis for fee	13
Appendix 2 – Independence and objectivity	14
Appendix 3 – Working together	16

Status of our reports

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

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

- 1 This plan sets out the audit work that we propose to undertake for the audit of financial statements 2009/10. The plan is based on the Audit Commission's risk-based approach to audit planning. It reflects:
 - audit work specified by the Audit Commission for 2009/10;
 - current national risks relevant to your local circumstances; and
 - your local risks.

Responsibilities

- 2 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to every audited body.
- 3 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.
- 4 We comply with the statutory requirements governing our audit work, in particular:
 - the Audit Commission Act 1998; and
 - the Code of Audit Practice.

Fee for the audit of financial statements

- 5 The fee for the audit is £262,322, as indicated in our letter of 27 April 2009.
- 6 In setting the fee, we have assumed that:
 - the level of risk in relation to the audit of accounts is consistent with that for 2008/09, subject to the risks identified in this letter; and
 - Internal Audit undertakes appropriate work on all material systems.
- 7 Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee. Where this is the case, we will discuss this in the first instance with the Chief Finance Officer and we will issue supplements to the plan to record any revisions to the risk and the impact on the fee.
- 8 Further information on the basis for the fee is set out in Appendix 1.

Specific actions Hartlepool Borough Council could take to reduce its audit fees

- 9 The Audit Commission requires its auditors to inform audited bodies of specific actions it could take to reduce its audit fees. As in previous years, we will work with staff to identify any specific actions that the Council could take and to provide ongoing audit support.

Auditor's report on the financial statements

- 10 We will carry out the audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 11 The District Auditor is required to issue an audit report giving their opinion on whether the accounts give a true and fair view of the financial position of the Council as at 31 March 2010.

Identifying opinion audit risks

- 12 As part of our audit risk identification process, we need to fully understand the audited body to identify any risk of material misstatement (whether due to fraud or error) in the financial statements. We do this by:
- identifying the business risks facing the Council, including assessing your own risk management arrangements;
 - considering the financial performance of the Council;
 - assessing internal control – including reviewing the control environment, the IT control environment and Internal Audit; and
 - assessing the risk of material misstatement arising from the activities and controls within the Council information systems.

Identification of specific risks

- 13** Our risk assessment has identified a number of specific risks since the initial fee was set. We have considered the impact of the additional risks that are appropriate to the current opinion audit and have set these out below, with our proposed response.

Table 1 **Specific risks**
Specific opinion risks identified

Risk area	Audit response
As part of the Business Transformation Programme, there have been changes to staffing levels in the accountancy section (specifically the change in Chief Finance Officer (CFO) and resulting loss of the Assistant CFO post and general reductions in numbers of staff available to prepare the statements). This restructure is part of the Council's response to a period of tighter public funding. We will monitor any impact on the preparation and quality of the accounts and working papers, noting that the CFO has put plans in place for appropriate quality assurance of the financial statements.	We will monitor the closedown process closely. We will liaise with the CFO and Head of Finance to ensure that any risks to the quality of the statements and supporting working papers are identified early to enable corrective action to be taken or for us to review our audit approach. If this results in significant risks, we will assess the impact on the audit fee and discuss this in the first instance with the CFO.
The FRS17 ^I pension fund information used in the accounts is based on estimated figures; this represents a risk if the financial statements require changing to reflect actual year-end figures.	We will review the impact of year-end actual figures against estimates used as part of our specific testing of pension fund information.
The Local Government Statement of Recommended Practice (SORP) for 2009/10 includes the requirement for local authorities to adopt IFRIC ^{II} 12 Service Concession Arrangements, which includes PFI schemes. In most cases this is expected to bring PFI assets on to the balance sheet.	We will review the Council's arrangements for identifying and accounting for any relevant arrangements across all of the Council's activities. We will carry out specific testing of service concession arrangements and how these have been accounted for.
The Local Government SORP for 2009/10 requires authorities to change the way council tax and NNDR debtors and creditors are accounted for in the billing authority's statements.	We will review the Council's processes for allocating the split of debtors and creditors for council tax between the major precepting authorities, and the Council's treatment of the change in accounting policy.

^I Financial Reporting Standard 17 Accounting for Retirement Benefits

^{II} International Financial Reporting Committee interpretation

Risk area	Audit response
Changes to the Accounts and Audit Regulations include the requirement to disclosure more information about senior employees' remuneration.	We will review the Council's arrangements for identifying which employees are included in the new disclosures and carry out specific testing of the disclosures included in the accounts.

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- 14 The Head of Finance and Chief Finance Officer are maintaining a regular dialogue with us during the closedown period, including discussing the risk areas identified above.

Testing strategy

- 15 On the basis of risks identified above we will produce a testing strategy which will consist of testing key controls and substantive tests of transaction streams and material account balances at year-end.
- 16 Our testing can be carried out both before and after the draft financial statements have been produced (pre- and post-statement testing).
- 17 Wherever possible, we will complete some substantive testing earlier in the year before the financial statements are available for audit.
- 18 Wherever possible, we seek to rely on the work of Internal Audit to help meet our responsibilities. For 2009/10, we expect to be able to use the results of the following pieces of work:
 - Creditors and Debtors invoice authorisation; and
 - testing of the transfer of information from the old payroll system (Prolog) to the new system (Resourcelink).
- 19 We will seek to rely on other work performed by Internal Audit as appropriate.

Key milestones and deadlines

- 20 The Council is required to prepare the financial statements by 30 June 2010. We are required to complete our audit and issue our opinion by 30 September 2010. The key stages in the process of producing and auditing the financial statements are shown in Table 2.
- 21 We will agree with you a schedule of working papers required to support the entries in the financial statements.
- 22 Every week, we will meet with the key contact and review the status of all queries. If appropriate, we will meet at a different frequency depending upon the need and the number of issues arising.

Table 2 **Proposed timetable**

Task	Deadline
Control and early substantive testing	April – June 2010
Receipt of accounts	18 June 2010
Forwarding audit working papers to the auditor	5 July 2010
Start of detailed testing	5 July 2010
Progress meetings	Weekly
Present report to those charged with governance at the Audit Committee	22 September 2010
Issue opinion	By 30 September 2010

The audit team

23 The key members of the audit team for the 2009/10 audit are shown in the table below.

Table 3 Audit team

Name	Contact details	Responsibilities
Lynne Snowball District Auditor	l-snowball@audit-commission.gov.uk 0844 798 1670	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive.
Diane Harold Audit Manager	d-harold@audit-commission.gov.uk 0844 798 1614	Manages and coordinates the different elements of the audit work. Key point of contact for the Chief Finance Officer.

Independence and objectivity

- 24** We are not aware of any relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which we are required by auditing and ethical standards to communicate to you.
- 25** We comply with the ethical standards issued by the Auditing Practices Board and with the Commission's requirements in respect of independence and objectivity as summarised in Appendix 2.

Meetings

- 26 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers. Our proposals are set out in Appendix 3.

Quality of service

- 27 We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact the Dave Allsop, North-East, Yorkshire and Humberside Head of Operations, (d-allsop@audit-commission.gov.uk).
- 28 If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet 'Something to Complain About' which is available from the Commission's website or on request.

Planned outputs

- 29 Reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Table 4 Planned outputs

Planned output	Indicative date
Opinion audit plan	June 2010
Annual governance report	September 2010
Auditor's report giving an opinion on the financial statements	September 2010
Final accounts report	October 2010

Appendix 1 – Basis for fee

- 1 The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees.
- 2 The risk assessment process starts with the identification of the significant financial and operational risks applying to the Council with reference to:
 - our cumulative knowledge of the Council;
 - planning guidance issued by the Audit Commission;
 - the specific results of previous and ongoing audit work;
 - interviews with Council officers; and
 - liaison with Internal Audit.

Assumptions

- 3 In setting the fee, we have assumed that:
 - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2008/09;
 - you will inform us of significant developments impacting on the audit;
 - Internal Audit meets the appropriate professional standards;
 - Internal Audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
 - good quality working papers and records will be provided to support the financial statements by the agreed date;
 - requested information will be provided within agreed timescales;
 - prompt responses will be provided to draft reports; and
 - additional work will not be required to address questions or objections raised by local government electors.
- 4 Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee.

Appendix 2 – Independence and objectivity

- 1 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of the appointment. When auditing the financial statements, auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 2 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 3 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
 - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
 - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.
- 4 The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the Audit Committee. The auditor reserves the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.
- 5 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

Appendix 2 – Independence and objectivity

- 6 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows.
- Appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the Audit and Inspection Plan as being 'additional work' and charged for separately from the normal audit fee.
 - Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
 - The District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years.
 - The District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
- 7 The District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

Appendix 3 – Working together

Meetings

- 1 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers.
- 2 Our proposal for meetings is as follows.

Table 5 Proposed meetings with officers

Council officers	Audit Commission staff	Timing	Purpose
Chief Finance Officer	AM and TL	March, July, September and as required	General update plus: July – accounts progress; and September – Annual Governance Report.
Head of Finance	AM and Team Leader (TL)	Quarterly throughout the year and as required during the audit (provisionally weekly)	Update on audit issues and progress on the audit.
Audit Committee	DA and AM, with TL as appropriate	As determined by the Committee	Formal reporting of: <ul style="list-style-type: none"> • Audit Plan; • Annual governance report; and • other issues as appropriate.

Sustainability

- 3 The Audit Commission is committed to promoting sustainability in our working practices and we will actively consider opportunities to reduce our impact on the environment. This will include:
 - reducing paper flow by encouraging you to submit documentation and working papers electronically;
 - use of video and telephone conferencing for meetings as appropriate; and
 - reducing travel.

The Audit Commission

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

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

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

Copies of this report

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www.audit-commission.gov.uk

AUDIT COMMITTEE

25th June 2010



Report of: Chief Finance Officer

Subject: AUDIT COMMISSION REPORT- AUDIT
PROGRESS.

1. PURPOSE OF REPORT

- 1.1 To inform Members of the Audit Committee that arrangements have been made for a representative from the Audit Commission to be in attendance at this meeting, to present the content of the Audit Commissions Audit Progress Report.

2. BACKGROUND

- 2.1 This Audit Commission report reflects progress on the external audit of Hartlepool Borough Council as at 10 June 2010. The audit Commission is currently completing interim work for the 2009/10 audit and the initial planning for the 2010/11 audit has been completed. The report also informs the Audit Committee of other matters of interest, including highlighting national work undertaken by the Audit Commission, focusing on its potential value to the Council.

3. FINDINGS OF THE AUDIT COMMISSION

- 3.1 Details of key messages from the work carried out are included in the main body of the report attached as Appendix 1.

4. RECOMMENDATIONS

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

Audit Progress

Hartlepool Borough Council

Audit 2009/10

June 2010

Contents

Introduction	3
2009/10 Audit Progress	4
2010/11 Audit Planning	5
Other developments including national publications	6
Appendix 1 – 2010/11 fee letter	12
Appendix 1a – Planned outputs	15
Appendix 2 – Letter to all councils	16

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.
-

Introduction

- 1 This update report reflects progress on the external audit of Hartlepool Borough Council as at 10 June 2010.
- 2 We are currently completing our interim work for the 2009/10 audit and the initial planning for the 2010/11 audit has been completed.
- 3 The report also informs the Audit Committee of other matters of interest, including highlighting national work undertaken by the Audit Commission, focusing on its potential value to the Council.

2009/10 Audit Progress

Original audit plan

- 4 Our plan was set out for the 2009/10 audit in the initial fee letter of April 2009. The fee for the 2009/10 audit was set at £262,322. We have considered this further and there is no need to change this fee level at this stage.
- 5 Our key areas of work for the 2009/10 audit are:
 - the opinion on the financial statements; and
 - the value for money conclusion.

Opinion on the financial statements

- 6 We have substantially completed our interim work. Our testing strategy is set out in the accompanying report 'Opinion Audit Plan'. There are no significant matters arising to report to Those Charged with Governance at this stage.

Value for money (VfM) conclusion

- 7 Our work on the Value for Money conclusion is substantially complete and there are no significant matters arising to report to Those Charged with Governance at this stage. We will report this to the Audit Committee later in September upon completion of our work.

2010/11 Audit Planning

2010/11 fee letter

- 8 Our fee letter is attached at Appendix 1.
- 9 As we have not yet completed the 2009/10 audit, so the audit planning process for 2010/11, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary.
- 10 Members should note in particular the on-going developments in Audit Commission functions under the new Government; this is detailed further in the next section of the report and we will verbally update members at the Audit Committee itself.

Other developments including national publications

Introduction

- 11 This section of the report summarises some of the national work undertaken by the Audit Commission in the last few months. It highlights various areas of interest, some of which may prompt further consideration by officers and/or Council members.
- 12 Other national publications which may be of interest can be found on the Audit Commission's website.

<http://www.audit-commission.gov.uk/Pages/default.aspx>

Comprehensive Area Assessment (CAA) to end, May 2010

- 13 The new coalition Government has stated in its programme of government document that it plans to abolish Comprehensive Area Assessment. All work on updating the area assessment and organisational assessment will cease with immediate effect.
- 14 We will work with the government and our partner inspectorates to ensure we can continue to increase accountability for local public services through more transparency, richer data and less inspection.
- 15 The Audit Commission, on behalf of the inspectorates responsible for Comprehensive Area Assessment, has written to local strategic partnerships and other local bodies including local government bodies to let them know how we propose to bring work on CAA to a conclusion. **This letter is attached at Appendix 2 and we will verbally update members at the Audit Committee**
- 16 Link to Audit Commission website:

<http://www.audit-commission.gov.uk/pressoffice/pressreleases/Pages/auditcommissionrespondstoabolitionofcaa.aspx>

A review of collaborative procurement across the public sector, May 2010

- 17 The National Audit Office and the Audit Commission have jointly produced this review. It draws on Audit Commission research in local government, carried out during the autumn of 2009.
- 18 The review finds that although collaborative procurement has the potential to improve value for money, the public sector procurement landscape is fragmented, with no overall governance. Consequently, public bodies are incurring unnecessary administration costs by duplicating procurement activity, and they are paying a wide

Other developments including national publications

range of prices for the same commodities, even within existing collaborative arrangements.

- 19 It recommends that, given the size of public sector procurement spend and the potential to significantly improve value for money, public bodies should work together much more effectively than they currently do. And there should be a clear framework to coordinate public sector procurement activity. **We will share this report with the Council's procurement lead.**

- 20 Link to Audit Commission website:

<http://www.audit-commission.gov.uk/nationalstudies/localgov/Pages/20100521areviewofcollaborativeprocurementacrossthepublicsector.aspx>

National Fraud Initiative report 2008/09, May 2010

- 21 The National Fraud Initiative (NFI), the UK-wide anti-fraud programme, helped trace £215 million in fraud, error and overpayments in 2008/09. Since the initiative's start in 1996, the programme has helped detect £664 million.
- 22 The NFI is a data matching exercise. It compares information held by and between around 1,300 organisations including councils, the police, hospitals and nearly 100 private companies. This helps to identify potentially fraudulent claims, errors and overpayments, all hosted on a secure website. When there is a match, there may be something that warrants investigation. For example, when data matching shows a person listed as dead and also in receipt of a pension, the relevant body will investigate and, if appropriate, stop pension payments.
- 23 **The Council continues to participate in NFI exercises. No significant issues have been highlighted to date. Even where data matching shows little or no fraud or error, this still assures bodies about their counter-fraud arrangements. It also strengthens the evidence for the body's Annual Governance Statement.**
- 24 The report is supported by:
- a quick-read summary document;
 - a checklist for members; and
 - case studies of successful outcomes.

- 25 Link to Audit Commission website

<http://www.audit-commission.gov.uk/nfi/reports/Pages/default.aspx>

Countdown to IFRS: Accounting for non-current assets, May 2010

- 26 The latest in our series of technical briefing papers considers the detailed accounting requirements and the potential issues arising from introducing international financial reporting standards (IFRS) for Accounting for non-current assets, formerly referred to as fixed assets.

27 Accounting for non-current assets considers the following issues:

- potential reclassification implications (IFRS 5 and IAS 40);
- valuation of property, plant and equipment (IAS16);
- componentisation (IAS16);
- impairment of assets (IAS36);
- intangible assets (IAS38); and
- government and non-government grants (IAS20).

28 Practical examples to help explain potential issues local government bodies may experience when implementing the standards have been provided. **The Council has a project plan in place for the implementation of the new International Financial Reporting Standards and is maintaining a dialogue with us.**

29 Link to Audit Commission website:

<http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/financialmanagement/Pages/countdowntoifrsaccountingfornon-currentassets.aspx>

National indicators for local authorities and local authority partnerships information portal, May 2010

30 The Audit Commission has produced a portal for national indicators on its website. This database provides online access to the latest definitions, frequently asked questions (FAQs) and clarifications for each of the national indicators.

31 **We have highlighted this portal as there is a function which allows searches to be done by topic which may be of interest- e.g. 'Safer Communities' highlights the national indicator NI 018 'Rate of proven re-offending by young offenders'.**

32 Link to Audit Commission website:

<http://www.audit-commission.gov.uk/localgov/audit/nis/nisnews/Pages/NationalIndicatorinformationportalisnowavailable.aspx>

33 Following on from the launch of the above portal, it should be noted that the Audit Commission also makes available on its website, collected data from the national indicator set; which has been used within the Comprehensive Area Assessment via the Oneplace website (whereby stakeholders can search by area and see, for example, what national indicators have been locally adopted).

34 Link to Audit Commission website:

<http://www.audit-commission.gov.uk/localgov/audit/nis/pages/nisdata.aspx>

Doncaster Metropolitan Borough Council Corporate Governance Inspection, April 2010

- 35 The Audit Commission carried out this inspection because of repeated evidence, over more than 15 years, that the Council is not well run.
- 36 The report says that 'The Council is failing in its legal obligation to make arrangements to secure continuous improvement in the way in which it exercises its functions, having regard to a combination of economy, efficiency and effectiveness.'
Recommendations for Government intervention have been made.
- 37 **We have highlighted this report as it underlines the important of good governance. This is also relevant to our VfM conclusion work.**
- 38 Link to Audit Commission website: <http://www.audit-commission.gov.uk/localgov/audit/inspection/reports/Pages/201004doncastermetropolitanboroughcouncilcorporategovernanceinspection.aspx>

Surviving the Crunch, March 2010

- 39 This report is the third in a series of publications looking at the impact of the credit crunch and subsequent recession on local authorities. **Whilst there have been significant developments since the election, this is still a useful report for members.**
- 40 It says that councils must think bigger and act quicker to reduce costs, or funding cuts will cause more damage to services and jobs than is necessary. Most councils have been cushioned from the worst of the recession because the government stuck to its three-year funding settlement. But this ends in 2011. On average, councils receive two-thirds of their income from grants.
- 41 Even though the timing and extent of cuts in government support are unclear, the report says that councils must prepare now for leaner times. The sooner they get clarity the better. The best-prepared councils are taking action now to preserve services in the years ahead, but others have yet to make any financial plans beyond 2011.
- 42 The report recommends authorities:
- prepare now for the leaner times ahead;
 - develop a detailed understanding, using scenario planning, of how different levels of grant and income affect their financial resilience;
 - ensure that members and officers provide strong leadership over difficult resource allocation decisions; engage early with staff and the public about options for coping with shrinking resources;
 - develop rolling medium and longer-term financial plans despite the uncertainties. Plans to meet estimated budget gaps should combine basic efficiency measures with more ambitious options to transform service delivery and manage demand; ensure they have capacity for financial planning, cost reduction and change-management; and

- consider all options for managing pay bills, not only staff cuts.

43 We understand that the Council has reviewed its Medium Term Financial Strategy on the basis of anticipated 5% grant cuts for the three years commencing 2011/12 and is beginning to develop a strategy to reduce expenditure by around £4m per year for three years, over and above planned Business Transformation Programme efficiencies. We will consider this as part of our audit work.

44 Link to Audit Commission website:

<http://www.audit-commission.gov.uk/nationalstudies/localgov/survivingthecrunch/Pages/default.aspx>

Healthy Balance, a review of public health performance and spending, March 2010

45 This briefing estimates that £21 billion of NHS funds has been allocated in 2009/10 on the basis of health inequalities. Despite the health of the nation improving overall, health inequalities has proved a stubborn area to address.

46 It highlights some of the variation in success among different localities, particularly for teenage pregnancies. Despite the sums of money allocated, it is not always clear how much has been spent on improving health inequalities and what the impact has been. It is hard to see an obvious link between spending and improvement, or get any clear view of value for money.

47 The briefing highlights the importance of partnership working, stating that 'one agency working alone cannot tackle problems of smoking, poor diet, physical inactivity, excessive alcohol consumption and child health'.

48 Link to Audit Commission website:

<http://www.audit-commission.gov.uk/nationalstudies/health/financialmanagement/Pages/healthybalance.aspx#downloads>

Under pressure: tackling the financial challenge of an ageing population, February 2010

49 Councils face the challenge of an ageing population as public spending reduces. This report says most councils do not know enough about the costs of their ageing population. They may also miss the savings that could flow from preventive services and better work with other organisations.

50 Link to Audit Commission website:

<http://www.audit-commission.gov.uk/nationalstudies/localgov/underpressure/Pages/default.aspx>

Good practice and case studies

- 51 Examples of notable practice and case studies to learn from in the public sector are set out on our website. Whilst these are mainly from the local government and health sector some examples may be of interest eg leadership, partnership working and 'safer and stronger communities'.
- 52 Link to Audit Commission website:
<http://www.audit-commission.gov.uk/localgov/goodpractice/Pages/Default.aspx>

Appendix 1 – 2010/11 fee letter

29 April 2010

Mr Paul Walker
Chief Executive
Hartlepool Borough Council
Civic Centre
Victoria Road
Hartlepool TS24 8AY

Direct line	0844 798 1670
Email	l-snowball@audit-commission.gov.uk

Dear Mr Walker

Hartlepool Borough Council - Audit 2010/11

I am writing to outline the audit work that we propose to undertake for the 2010/11 financial year at Hartlepool Borough Council and the associated fee for that work.

The fee:

- is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Commission for 2010/11; and
- reflects only the audit element of our work, excluding any inspection and assessment fees. Your Audit Commission Comprehensive Area Assessment Lead will be writing to you separately on these fees.

I have not yet completed my audit for 2009/10 so the audit planning process for 2010/11, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary.

The total indicative fee for the audit for 2010/11 is £267,000 (exclusive of VAT) and represents an increase from last year of £4,678 or 1.8% compared to the planned fee of £262,322 for 2009/10. A summary of this is shown in the table overleaf.

The Audit Commission has published its work programme and scales of fees 2010/11. The scale fee for Hartlepool Borough Council is £233,260. The scale fee is determined by the Audit Commission and represents the fee the Commission would expect to be charged for the audit. The proposed fee is 14% above the scale fee; this is largely due to the fee formula, taking into account the size of the Council as it is the second smallest unitary in the country and a certain level of audit work is still required.

Audit fee

Audit area	Planned fee 2010/11	Planned fee 2009/10
Financial statements	184,711	169,983
Use of Resources / VFM Conclusion	79,139	90,729
Whole of Government Accounts return	3,150	1,610
Total audit fee	267,000*	262,322
Certification of claims and returns (estimate)	32,865	23,000

* the total fee will be subject to one-off refund from the Audit Commission of £13,669 in April 2010 to cover the costs of transition to IFRS (see below).

The published fee scale for 2010/11 included a 6% increase to cover the costs of additional audit work arising from the introduction of International Reporting Standards. In July 2009, in recognition of the financial pressures that public bodies are facing in the current economic climate, the Commission confirmed that it would subsidise the 'one-off' element of the cost of transition to International Financial Reporting Standards (IFRS) for local authorities and police and fire and rescue authorities from 2010/11.

You will therefore receive a refund from the Audit Commission of £13,669 in April 2010.

In setting the fee, I have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2009/10. A separate opinion plan for the audit of the financial statements will be issued at a later date following the completion of 2009/10 audit work. This will detail the risks identified, planned audit procedures and any changes in fee. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with the Chief Finance Officer and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

My use of resources assessments will be based upon the evidence from three themes:

- Managing finances;
- Governing the business; and
- Managing resources.

The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2010/11. My work on use of resources informs my 2010/11 value for money conclusion. However, I have identified a number of risks in relation to my value for money conclusion. For each risk, I consider the arrangements put in place by Hartlepool Borough Council to mitigate the risk, and plan my work accordingly. My initial risk assessment for value for money audit work is shown in the table below.

Risk	Planned work
International Financial Reporting Standards (IFRS) – risk of not making adequate preparations to implement IFRS.	We will maintain a dialogue with officers as the IFRS project is developed and implemented.
On-going Business Transformation Programme: highlighted as a key element of achieving the required efficiencies for 2010/11 in light of the current economic climate.	We understand the BTP is largely on-track. We will maintain a watching brief as well as the Council's response to changes in the economic climate.

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1a.

The above fee excludes any work requested by you that the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

The key members of the audit team for the 2010/11 audit are:

Audit Manager – Diane Harold 0844 798 1641

Team Leader – Cathie Eddowes / Sue Reeve 0844 798 1639/1667

I am committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact the North East, Yorkshire and Humberside Head of Operations, (d-allso@audit-commission.gov.uk).

Yours sincerely

Lynne Snowball
District Auditor

Appendix 1a – Planned outputs

Our reports will be discussed and agreed with appropriate officers before being issued to the Audit Committee.

Table 1

Planned output	Indicative date
Audit plan	April 2010
Annual governance report	September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2011
Use of resources report	September 2011
Final accounts report (to the CFO)	October 2011
Annual audit letter	October 2011

Appendix 2 – Letter to all councils

28 May 2010

Chief Executives
All English Single Tier and County Councils

Direct line
Email

0844 798 2467
g-davies@audit-
commission.gov.uk

Dear Colleague,

I am writing on behalf of the CAA inspectorates to let you know how we propose to bring work on CAA to a conclusion in the light of the new government's recent announcement.

All work on updating the area assessment and organisational assessment will cease with immediate effect. These assessments on the Oneplace website will not now be updated. We will not be reporting new red or green flags in the area assessment nor updating the text around existing flags.

We will not be issuing new scores for the use of resources assessments, the managing performance assessments or the overall organisational assessments.

Ofsted has a statutory obligation to carry out an annual assessment of children's services. Pending any further decisions Ofsted will continue with the children's services assessment for 2010.

The Care Quality Commission is currently considering the implications of the ending of CAA for its assessment of adult social care with the Department of Health. They will also discuss the matter with the Association of Directors of Adult Social Services and communicate with councils as soon as this is finalised.

Your appointed auditor will continue to deliver the audit in line with the statutory Code of Audit Practice under which they are required to give a value for money conclusion alongside their opinion on the financial statements. Auditors will need to complete such work as they consider necessary to enable them to give this conclusion, but in practice we envisage they will be able to discharge this responsibility using work completed to date for the use of resources assessment. Your auditor will report any significant findings in the annual audit letter but will not be reporting a score for the use of resources.

We have already announced that we are reviewing the approach that auditors will take in future to the value for money conclusion from 2010/11.

Appendix 2 – Letter to all councils

We are in discussions with the government, the LGA and other representative bodies about the future approach to inspection. In the meantime, the Audit Commission will continue with the limited programme of risk-based inspections currently underway. Other inspectorates will continue with their standalone inspection programmes. We will inform you of any developments in our approach as soon as they have been agreed.

Your CAA Lead and appointed auditor will of course be available to discuss the practical implications of these changes. You can also phone our helpline on 08450 522616. I would like to thank you for your cooperation with our staff over the short life of CAA. We will of course consult you about the future approach to audit and inspection.

Yours sincerely,

Gareth Davies
Managing Director, Local Government, Housing & Community Safety
Audit Commission

AUDIT COMMITTEE

25th June 2010



Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT PLAN 2010/11 UPDATE

1. PURPOSE OF REPORT

- 1.1 To inform Members of the progress made to date completing the internal audit plan for 2010/11.

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:
- Information Governance Group.
 - Procurement Working Group.
 - Performance and Risk Management Group.
- 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
Individual School Budgets	<p>Arrangements are in place which ensures that changes to legislation are received and promptly actioned. Processes in place allow for the indicative budget allocations to be determined and notified to the Governing Bodies prior to 31st March. Processes are in place for adjustments to school budgets to be made where required. Pupil Numbers are recorded accurately using the correct date.</p> <p>Arrangements for calculating the actual amounts for the ISBs provide assurance that the calculations are accurate. Procedures ensure that appropriate and effective consultations are carried out as determined by legislation i.e. use of the Schools Forum. Following year indicative calculations are calculated and notified to the Governing Body. Central expenditure is accurately calculated in line with the formula set with any changes that require School Forum authorisation being clearly documented. Actual funding received should equal in total that which has been allocated. Balances brought forward/ School reserves should also be accounted for and also any drawbacks.</p>	<p>- That procedure/guidance notes are drawn up which record the processes to be followed in relation to the calculation and allocation of Individual School Budgets.</p>	Y
		<p>- That details of input/output checks to be carried out are recorded in procedure/guidance notes and evidence that these checks have been carried out is maintained (for both year calculations).</p>	Y
		<p>- That sufficient supporting documentation is retained to verify the figures used in the calculation or links provided as to where the documentation can be found.</p>	Y
		<p>- That achievement of deadlines is included as a performance indicator for the division.</p>	Y
		<p>- That a note is made on the minutes of the Forum stating that the calculation would require amendment and the calculation spreadsheet is annotated with the date the decision was made.</p>	Y
		<p>- That testing is carried out by Internal Audit to ensure that the calculations are correct where children are excluded and schools receive a £3000 fine paying over a proportion of the AWPU to the PRU.</p> <p>- That the AWPU budget amendments are made on a timely basis.</p>	Y
Middleton Grange Shopping Centre	<p>The roles and responsibilities of the two parties are clearly defined and communicated to each other. The budget is effectively managed. All income due to the Council is received promptly and accurately in accordance with the terms and conditions of the contract. Data is securely held.</p>	<p>- Arrangements are made for the figures supplied to be checked to source documentation or an audited set of company accounts used to assist in substantiating figures provided.</p>	Y
		<p>- The lease agreement is reviewed during the follow up audit to ensure terms and conditions are being adhered to.</p>	Y
Housing Market Renewal	<p>Strategies and policies in relation to Housing Market Renewal are consistent with HBC Corporate Aims and Objectives and these are reviewed at regular intervals to ensure that they remain consistent. An assessment of financing required to achieve aims and objectives is carried out.</p>	<p>- That a full evaluation of the information received from each company is carried out and documentation maintained to record how the assessment done.</p>	Y
		<p>- That arrangements are put in place for staff involved in the procurement/contracting process and the HMR projects to be required to</p>	Y

	<p>Budgets are monitored on a regular basis to ensure that the funding is being spent within the time limits set and on the areas allowed by the funding agreement. Specific outcomes are developed which are consistent with the strategy and are used to measure achievement of key objectives. Terms and conditions of funding received are evaluated and systems put in place to ensure that they are actioned. Procedure/guidance notes are in place which would enable someone not involved in the process to establish what the key stages are. Risks, outcomes, PIs and post project review are in place for each individual project. Staff are protected from allegations of fraudulent activity by ensuring that robust procedures are in place which ensure compliance with Contract Procedures Rules and Financial Procedure Rules when procuring goods/ services, appointing developers and determining areas for development. Payments are correctly made. The development meets the needs of the strategy.</p>	<p>certify on an annual basis that they will declare any interests in any individual projects or companies involved in the process.</p> <ul style="list-style-type: none"> - That the Performance Indicators in place for the Housing Market Renewal Function are reviewed. - Further efforts are made to find the valuation documents and all future ones are appropriately filed. <p>Estates should ensure that section procedure notes contain details of the checks to be carried out under these arrangements and also look to record when the checks have been carried out on a case by case basis.</p> <ul style="list-style-type: none"> - Checks on valuation prices to actual purchase prices are required. Further testing will be carried out during the follow up audit. - That in all circumstances official valuations are obtained to support the price paid for a property and demonstrate that there is a robust division of duties in place. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Employee Protection Register	<p>An approved Policy is in place which sets out the Council's position towards violence and aggression towards employees and determines the arrangements for maintaining and utilising a Corporate Employee Protection register. A Corporate Employee Protection Register is in place to provide a single source of reference for those employees who need information to reduce the risk of violence and aggression towards them. Effective arrangements are in place to maintain the register to ensure that all data held is valid, and held in accordance with Data Protection legislation. Effective arrangements are in place to ensure that all staff at risk of violence and aggression are aware of information held. Data held is maintained in a manner to minimise risks to employees. A formal information sharing protocol is in place to ensure that the Council meets its</p>	<ul style="list-style-type: none"> - Formal terms of reference should be established and agreed for the VAS group. Such terms of reference should include details on the role and responsibilities of the group, regularity and attendance at meetings, membership consisting of appropriate representation from across the Council's services and detailed procedures that should be followed when performing its role of over viewing and monitoring of the Employee Protection Register. - Continuous reviews of local systems should be undertaken to ensure that information that can be justifiably input onto the central EPR is identified and shared with all relevant staff and information that breaches Data Protection legislation can be removed. - The information sharing protocol currently being developed should be finalised and approved and circulated to all signatories for adoption. Consideration should be given to extend approved parties to include all agencies that undertake work on behalf of the Council, or where staff of 	<p>Y</p> <p>Y</p> <p>Y</p>

	H&S responsibilities for partner agencies and their staff.	<p>other agencies share front line buildings with the Council e.g. Probation. The protocol should also give a brief description of the processes to be followed to protect non-employees who carry out duties on behalf of the Council.</p> <ul style="list-style-type: none"> - A review of membership of the VAS group should be undertaken in light of changes to the organisations structure. - Users should be reminded to input details of incidents onto the register promptly. - A review of all incidents recorded on the EPR should be undertaken on a regular basis to ensure compliance with the VAS Policy. Copies of SIF forms / risk assessments should be requested from users / approvers for all recorded incidents and retained securely in case number order to provide evidence of incidents. - All incidents entered onto the register should be approved promptly by line managers. Regular reviews of the register should be undertaken and follow up action taken against parties who fail to approve entries. - Data Protection Notices of Fair Processing should be issued to individuals to inform them of entry onto the register. Copies of notices should be retained securely in case number order. - Incidents recommended for removal from the EPR by the VAS group should be removed. - Periodic reviews of user access rights to the EPR should be undertaken to ensure that access rights are appropriate, in particular for those individuals who leave the employment of the Council. - Formal criteria should be established which automatically trigger a HS & W incident investigation. Such factors should consider the seriousness of incidents and exposure of the authority to legislative penalties. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Fuel Management	Fuel ordered should be authorised by an appropriate member of staff. Checks are made to the order/delivery and payment quantity to ensure correct. The systems in place for issuing fuel are adequate and secure. Fuel consumption is monitored. Storage of fuel keys and fuel is secure. Procedures are in place to ensure the correct	<ul style="list-style-type: none"> - When a PIN is reset the details should be recorded to ascertain if there are any trends or to enable identification of misuse. - That log books be periodically reconciled with milometer readings from the fuel pumps. - Reconciliations to Integra to be carried out on a regular basis to ensure budget position is correct and any potential over/underspends are 	<p>Y</p> <p>Y</p> <p>Y</p>

	charges are made for fuel usage.	<p>identified promptly.</p> <ul style="list-style-type: none"> - In line with the Information Security Policy, all officers should have a separate login id and password. Where possible the systems will help enforce good password protocols such as: Minimum number of characters for passwords, Changing temporary passwords at first login, The regular changing of passwords, The use of a combination of numeric and alphabetic characters for passwords. - Evidence should be retained of the year end reconciliation of stock values between Integra and the stores system to demonstrate that the proportion of stock relating to fuel is shown correctly in both systems. 	<p>Y</p> <p>Y</p>
Pupil Support/ Admissions	<p>The council is complying with statutory regulations. The council have a competent 'Admissions Forum' set in the guidelines of the DCFS's 'Code of Admissions'. Adequate procedures and policies are in place for the School Admission Service in line with DSCF Guidance. Appeals are dealt with according to the DCSF 'Appeals Code'. Ensure relevant information, data, documentation and IT facilities are held securely. Procedures ensure staff responsible for PIs are aware of the timescale and deadlines for producing, reporting and publishing PIs.</p>	<ul style="list-style-type: none"> - Written confirmation of appeals upheld/held should be sent to the Admissions Team promptly to update the EMS System. - All children's confidential information should be stored securely at all times. - Consideration should be given to introducing performance indicators. If put in place PIs can analyse the process made towards 'getting more parents to complete applications online etc. 	<p>Y</p> <p>Y</p> <p>Y</p>
Cash / Bank	<p>Secure arrangements exist for collection and recording of cash. Cash collection and direct bank credits are correctly brought to account. All collections are promptly banked. All collections are promptly and accurately posted to debtors' or income accounts. A management trail exists.</p>	<ul style="list-style-type: none"> - That Cashiers ensure that signatures are included in all cashing up reports produced prior to submittal to Accountancy. - Significant adjustments are advised to the Cash Office to enable them to be investigated. A report should be produced and forwarded to the Principal Revenues Officer showing all relevant overs/shorts for monitoring purposes. - When officers are not progressing with resolving unreconciled items, an escalation process is implemented which will assist officers in clearing the unreconciled transactions account. 	<p>Y</p> <p>Y</p> <p>Y</p>
National Non Domestic Rates	<p>Adequate controls have been established to protect information and data from unauthorised access. Procedures ensure that information and data are protected from loss or damage. The valuations process is actioned in accordance with</p>	<ul style="list-style-type: none"> - The composite properties on the IWorld system are not currently reconciled. Consideration is given to allocating resources in this area to begin completing a reconciliation of composite properties. - Credit balances should be reviewed and transferred to any other accounts 	<p>Y</p> <p>Y</p>

	<p>legislation and regulations. Notifications to and schedules from the Valuation Office are actioned promptly and correctly. Property records indicate the rateable value (RV) of the property. The liability process is actioned in accordance with legislation and regulations. Liabilities are correctly calculated and the correct liable party is informed of the amount due. All reliefs are correctly calculated and awarded with adequate supporting documentation retained. Adequate and appropriate reviews take place to ensure that the correct liability has been awarded. Billing is completed as per legislation and regulations. Billing parameters are maintained correctly and securely. Billing suspensions are controlled. Reconciliations of billing are performed and discrepancies investigated. Procedures ensure that transactions are carried out in accordance with legislation and financial regulations. Controls ensure that all payment and refund transactions are recorded in the accounts. Regular reconciliations are undertaken. Systems have been established to monitor performance. Items posted to suspense are regularly reviewed and cleared promptly. Procedures ensure there is adequate separation of duties. A recovery strategy has been established, is adhered to and this is monitored. Controls ensure all actions comply with legislation and write-offs are bona fide.</p>	<p>which the ratepayer has.</p> <ul style="list-style-type: none"> - A process should be devised and implemented that enables checks to be performed on the input to the IWorld system regarding amendments to rateable values and reliefs. 	Y
High Tunstall Secondary	<p>Ensure school financial and governance arrangements are in line with best practice.</p>	<ul style="list-style-type: none"> - Local operational procedure notes should be extended to include Bank Reconciliation, Budget Monitoring and Recruitment & Selection. The school may wish to consider using the proforma produced by internal audit. - Risk management should be embedded into the schools process. 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 	<p>Y</p> <p>Y</p>

		<p>risks to the achievement of the schools priorities, as defined in the schools development plan.</p> <ul style="list-style-type: none"> - 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. - Minutes of SMT to be sent to internal audit to evidence decision making. - The School profile containing all relevant information about the school should be updated. - Details of capital works to be sent to Internal Audit. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Tall Ships	To provide constructive advice to ensure effective and efficient processes are in place relating to income, parking permits and staffing issues relating to the Tall Ships Event weekend.	<p>Guide sales - the number of guides issued should be recorded and signed for on the daily reconciliation sheet which has been provided by Audit. It is the responsibility of the member of staff collecting the float to ensure that the amount issued is correct. All unsold guides should be returned to the issuing officers and recorded on the reconciliation sheet. At the close of play, individuals should count and record the number of guides returned. This will leave the number of guides sold. All discount vouchers redeemed should be counted and recorded. A calculation should then be made of the number of guides sold using vouchers and those sold at full price which should total the amount of income received less the initial float issued. Individuals should cash up and record the amount taken on the daily reconciliation sheet. This should be checked and counter signed by an independent member of staff. Any overs/unders should be recorded and an explanation obtained and recorded on the reconciliation sheet. All income reconciled should be submitted to an independent officer for banking. This officer should sign the reconciliation sheet to say they agree with the amount that has been handed over for banking. Two officers should perform checks for each reconciliation sheet to ensure the correct amount of income from sales matches the monies received. Both officers should sign the reconciliation sheet. Once all reconciliations have been performed, income should be bagged in secure bank bags and bank paying slips completed and if it is agreed, banked</p>	

		<p>with the Bureau de Change. Receipts of the amount banked should be provided and attached to the appropriate reconciliation sheets. All receipt details including bank paying in slip details should be recorded on the reconciliation sheet. These should then be filed to enable reconciliation of the amount banked to be carried out.</p> <p>Parking Permits.</p> <p>All parking permits should be produced with individual sequential numbers and issued in order to visitors. The differing permits issued should be easily identified i.e. each permit type is a different colour. All permits produced should incorporate a HBC watermark to deter from outside personnel duplicating them. Permits should also display the parking charge paid. Daily reconciliations of the number of passes issued should be calculated and recorded by an individual independent of the issue of permits.</p> <p>Storage of unallocated permits should be secure with access to a limited number of staff. Records should be maintained to record the first and last permit numbers issued per day and daily checks should be performed to ensure that the next number to be issued was the closing permit number from the previous session.</p> <p>Electronic systems in place should ensure that parameters set do not enable duplicate passes to be issued and cannot be overridden by users. Blue badge status should be confirmed prior to issue of the permit. This could be by requesting the relevant badge reference number and cross checking with the Parking Services staff. Once confirmed, then the permit can be issued. Discount vouchers should be sequentially numbered and when issued the relevant number should be recorded against the permit it has been issued against. Audit has provided a record sheet for all pre-bookable permits which should be maintained.</p> <p>On Site Permits.</p> <p>A reconciliation form should be in place, which Audit have provided. These should be completed daily and record the number of permits issued to parking stewards, floats, discount vouchers redeemed, amount of income collected and the number of permits being returned and a signature obtained from the steward to confirm</p>	
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		<p>the number of permits they have been issued with at the start of the day. All on site permits should be sequentially numbered and watermarked with the HBC logo and issued to staff in sequential numeric batches of 50. At the close of play each day, staff issued with permits should return unallocated permits and using the daily reconciliation sheets, record how many they are returning.</p> <p>Floats. Floats should be the responsibility of one of the officers responsible for checking the income. Prior to monies being banked, the relevant denominations of coins and notes should be removed to ensure that they contain the correct change. Each float denomination breakdown should be retained with the individual floats and recorded on the float record. This will aid the person receiving the float prior to going on site to carry out the required check. A float template form has been provided by Audit.</p> <p>Staffing. Time sheets should be completed daily by all staff and volunteer hours recorded which show start and end times including any breaks that are taken (i.e. lunch hour). These should be dated and signed by the individuals with a note to state that this is a true and accurate record of the number of hours worked. These should then be checked and countersigned by the relevant supervisor. Staff should receive information prior to the event which breaks down their area of responsibility and the expectations that are required to enable them to carry out their role. Staff without adequate knowledge should receive an appropriate level of training to enable them to perform their role successfully and efficiently. By incorporating the above controls, this will help to ensure that staff are paid only for the hours they work and that they are aware of their roles and responsibilities during the event.</p> <p>Risk Register. Regular monitoring of the risk register should take place to ensure the identification of any risks which may not be included and changes that may occur relating to risks already identified. All changes to the Risk Register should be reported to the</p>	
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		relevant staff and managers.	
Creditors	The Council's Constitution and Financial Procedure Rules documents responsibilities for the creditors function. Detailed procedure notes are in place that covers all aspects of the function. Creditor accounts established are valid and appropriately authorised. All orders for goods and services are in accordance with HBC financial regulations, have supporting documentation, are accurate, complete, within budget and appropriately authorised. Goods received are legitimate, promptly recorded, identified as belonging to HBC, and safeguarded from loss/harm. Invoice certification procedures ensure that payments are only made for goods and services received. Effective controls ensure that all payments are made in a timely manner, are authorised, complete, accurate and not previously processed. Cheques/stationery are securely controlled as blanks and when completed. A management trail exists.	<ul style="list-style-type: none"> - Constitution Financial Procedure Rules make reference to the requirement that all goods and services are to be made on official order forms (or in accordance with contract standing orders) by authorised officers. - Departmental Finance Officers are made aware of the need to review outstanding orders regularly and action appropriately. - Payment control sheets are correctly completed by all relevant officers involved in the process. - A review is undertaken of all duplicate accounts and an exercise undertaken to deactivate duplicate supplier accounts. - Measures are put in place to ensure that departments are aware of the processes in place relating to goods receiving procedures and the importance of retaining proof of delivery documentation. - For administrative purposes, a report is produced on an interim basis to indicate whether any staff with full system access have been involved in any aspect of the creditor transaction function. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Members Allowances	Payments are in accordance with the appropriate regulations, are only to be paid in respect of approved duties and there is evidence to support any claims. All relevant records are updated to record the claim. All claim forms are completed properly. Any allowances are paid in accordance with the rates issued by the Department of Transport, Environment and the regions. All claims are completed and submitted promptly. Allowances which are paid via invoice are checked to ensure that the duties claimed for are on the approved list and that the member attended. Data is held securely and in line with the authority's policies and the Data Protection Act.	<ul style="list-style-type: none"> - Members should be reminded that submission of claims should be as per Part 6 of the Authority's Constitution and be submitted on a regular basis. - Claims for mileage for vehicles over 999cc are supported by appropriate documentation (i.e. insurance certificates). - Clarification of how long claims should be retained is sought. Claims should be sent to the Payments Unit to be scanned and attached to the FMS. The Integra Team provide the information required to enable scanning of documentation to be actioned. - Although information is available to the public, claim forms and supporting documentation containing personal information such as signatures should be disposed of in a secure confidential manner. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
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	<ul style="list-style-type: none"> - Regular liability amendment checks are performed by an independent officer to check they are bona fide. - Appeals received are acknowledged within five working days. - When parameters have been loaded into the system a signature should be 	<p>Y</p> <p>Y</p> <p>Y</p>

	and correctly recorded. Amounts due in respect of each taxable property have been correctly calculated and promptly demanded from the person(s) liable. Secure and efficient arrangements exist for all collections, which are promptly posted to the correct taxpayers' accounts. All refunds are authorised and valid. The billing authority complies with all statutory requirements for tax setting and the keeping of accounts.	<p>obtained from all parties to confirm they have been input and an independent check has been performed.</p> <ul style="list-style-type: none"> - That the Revenues Manager is aware of the risks involved when requiring staff to carry out dual roles. - Annual monetary reconciliations are performed for each council tax banding. - Regular suppression reports are provided and actioned by the responsible staff. - Reconciliations are undertaken of the number of composite properties on the Council Tax system to those recorded on the NNDR system - Valuation Office schedules are actioned within the target timescale of 5 working days. - Regular checks are carried out to ensure that review dates are being followed up and explanations provided if not. - Housing Hartlepool is reminded to provide all relevant information relating to properties they own. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Debtors	Examine and evaluate the systems and procedures in place to administer Sundry Debtors Income to ensure that errors and omissions are minimised. The responsibility for raising sundry debtor accounts is clearly defined. The debtors system is operated with due regard to economy and effectiveness. 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. Financial procedures and corporate policies in relation to raising debtor's invoices are being adhered to.	<ul style="list-style-type: none"> - Reports are produced periodically to check for any duplicates in the system and appropriate action taken. The 4 records which appear to be duplicate accounts should be reviewed and appropriate action taken. - 3 invoice numbers were missing from the sequence of invoices raised on the report. Principal Accountant agreed to review these 3 instances and pass the results onto internal audit. - Consideration is given to calculating, and including in the debtors procedures, a minimum amount a debtors invoice can be raised for. - Departmental staff should be reminded of the requirement to provide information to Internal Audit to ensure that work can be completed which will increase the level of assurance that can be given on the control environment. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Nursing and Residential Accommodation Charges	To ensure that financial assessments are carried out for all qualifying service users in a consistent manner. Contributions due from service users are calculated correctly and received. Payments are correct and in accordance with statutory	<ul style="list-style-type: none"> - Assessment forms should be signed by visiting officers and service users when completed. It should be ascertained whether, on the two occasions there was no assessment forms on file, an assessment was required and if it was that it was completed. 	<p>Y</p>

	requirements. Deferred payment schemes are awarded to eligible people, are sufficient to cover the cost of care, agreed in writing and payments recovered.	- A deferred payment agreement signed by the service user or representative should be kept on file. - Procedures should be drawn up for the processing of payments to homes and from Service Users.	Y Y
Salaries and Wages	Data is only processed where an authorised post exists. Salary & related expenditure are incurred only in respect of authorised staff and in accordance with employees' contracts of service. Prior to employees leaving all relevant sections and units are notified. All statutory and non statutory deductions are promptly actioned and authorised. Amendments to employees' personal information is only amended by the person when authorised to do so. Adequate security controls have been established to protect information and data from unauthorised access. Regular independent checks and reconciliations are undertaken to ensure that the payroll system is correct and bona fide. All employees receive in full amounts to which they are entitled for each pay period. Payments are correctly calculated and properly authorised. All expected output is produced, appears reasonable and is distributed on time with confidentiality being maintained. The application has appropriate security features activated to discourage and prevent unauthorised people accessing the system. All system users are aware of their responsibilities in relation to application security and access rights are appropriately administered. Transactions are appropriate, valid, authorised and timely. Data Processing routines ensure that the data is complete, accurate, processed only once, timely and secure. Changes to parameter data are effectively controlled. Output is accurate and secure. Arrangements have been put in place to provide system backups and system continuity. An effective audit trail is in place which allows for transactions to be fully traceable.	- All new starters should have a notification from HR kept in the appropriate file. HR and Payroll staff should be reminded of the procedures to follow regarding starters. - Payroll staff should complete the Tax Code and NI category sections on new starter forms and all forms should be countersigned as checked by another officer. - All new starters forms should be countersigned by departmental managers. All departments to be reminded that all forms must be signed. - A leavers form should be sent to the Payments section for every leaver. All details required should be completed on the form when given to the payments section. Staff should be reminded of the procedures to follow. - All employees must have an NI number to ensure that payments to the employees are correct. - All payments of overtime should only be made on production of the correct form. - The timesheets for the sample selected are made available to the auditor to enable testing of this process. - Outstanding queries need a response before the final report issued.	Y Y Y Y Y Y

Childrens Trust	Arrangements are in place for compliance with legislation. Best practise guidance is considered in relation to the requirements of the Childrens Trust.	- That the minutes of Board meetings detail other officers attending separately to the actual Board membership.	Y
Governor Support	The LA is complying with its legislative obligations in relation to the governance arrangements in schools. There are effective clerking arrangements in place for administering the Governing Body meetings and that these ensure that legislative requirements are adhered to. Governors are correctly appointed. Governors are provided with appropriate training and opportunities to develop the skills required for the role both when initially appointed and on an ongoing basis. There are clear arrangements in place for providing schools with governor support services. Key areas within the service have relevant performance indicators in place to ensure that the service is being effectively delivered.	- Procedure / guidance notes should be drawn up for the Governor Support Section ideally this should provide an overview of the work undertaken which would be linked to separate, more detailed procedures.	Y
		- That members of the Governor Support Section who act in the role of Clerks to the School Governing Body's are encouraged to complete the National Training Programme for Clerks to Governing Body's.	Y
		- That the job description for staff who Clerk Governing Body meetings is expanded in line with the National Guidance.	Y
		- That testing of the process for electing school governors is carried out during the follow up audit.	Y
		- That the queries are resolved and the Disqualifications Form amended if required.	Y
		- That consideration is given to providing this training however this would need to be balanced with the costs and benefits.	Y
		- That schools are advised of the benefits of appointing mentors to new governors and having a link governor with training responsibilities.	Y
Housing Market Renewal Grant	Grant terms and conditions are adhered to.	No Recommendations.	
PI 246	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. Procedures ensure staff responsible for PIs are aware of the timescale and deadlines for producing, reporting and publishing PIs. Procedures ensure that supporting information, data, reports, etc are produced and retained.	- Arrangements for collecting and reporting data for the PI should be documented and attached to Covalent.	Y
		- Consideration should be given as to what the PI is intended to measure. Should it be decided that the PI is in place to measure the effectiveness of the School Environmental Action Initiative, data should be collected for all participating schools and not to two original pilot schools. Baseline data should also be adjusted to reflect comparative data.	Y
		- Results for 2009/10 will be reviewed as part of the follow up review	Y
		- Access to the Stark database should	Y

	Procedures ensure staff responsible for PIs have the current and correct definitions. Independent checks are undertaken to ensure PIs are produced and reported accurately. Policies and procedures have been established to ensure relevant information, data, documentation and IT facilities are held securely and are readily accessible by authorised persons. Procedures ensure staff responsible for PIs are aware of the timescale and deadlines for producing, reporting and publishing PIs.	be via unique userid and password. Such passwords should be required to be changed on a regular basis.	
Consistent Financial Reporting	All schools, PRUs and maintained nurseries are correctly informed of the requirement to make consistent financial reporting statements, what format they are required in, when the submissions should be made and are offered assistance to complete the statements where necessary. Child and Adult Services have processes in place to ensure that all statements submitted are in the correct format as per the regulations at the time. All statements are provided by the deadline as per the regulations and Child and Adult Services follow up on any statements not received. The method of submission is secure (schools transferring data to Local Authority). Adult and Child Services submit the financial statements required by CFR regulations by the deadlines stipulated in the regulations in the format requested.	<ul style="list-style-type: none"> - Children's Services Finance should verify whether they should continue to submit the CFR returns for Seaton Nursery and the PRU as these two establishments are not required to have a submission made under the Regulations. - Consideration should be given to ensuring the agreement is made at the start of the financial year, which would give a better indication of income due per financial year and of resource requirements. 	<p>Y</p> <p>Y</p>
NI 130	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. Procedures ensure staff responsible for PIs are aware of the timescale and deadlines for producing, reporting and publishing PIs. Procedures ensure that supporting information, data, reports, etc are produced and retained.	No Recommendations.	

	Procedures ensure staff responsible for PIs have the current and correct definitions. Independent checks are undertaken to ensure PIs are produced and reported accurately. Policies and procedures have been established to ensure relevant information, data, documentation and IT facilities are held securely and are readily accessible by authorised persons. Procedures ensure staff responsible for PIs are aware of the timescale and deadlines for producing, reporting and publishing PIs.		
NI 19	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. Procedures ensure staff responsible for PIs are aware of the timescale and deadlines for producing, reporting and publishing PIs. Procedures ensure that supporting information, data, reports, etc are produced and retained. Procedures ensure staff responsible for PIs have the current and correct definitions. Independent checks are undertaken to ensure PIs are produced and reported accurately. Policies and procedures have been established to ensure relevant information, data, documentation and IT facilities are held securely and are readily accessible by authorised persons. Procedures ensure staff responsible for PIs are aware of the timescale and deadlines for producing, reporting and publishing PIs.	<ul style="list-style-type: none"> - The Data Sharing Protocol should be reviewed and updated as soon as possible. - All spreadsheets with sensitive data should be password protected to prevent accidental or deliberate data damage/deletion and/or data theft. - Results to be published as soon as they are available in line with Authority deadlines. Once published a reperformance of the figures will be carried out by the Internal Audit Section. 	Y Y Y
Housing Strategy	HBC adheres to its legislative requirements in relation to housing strategy responsibilities.	- The Housing Strategy Supplement should have an action plan attached which would clearly identify the issues that require progressing, responsible officers and deadlines. At the time the information was requested this was not in place. An action plan is put in place which identifies the issues that require progressing, responsible officers and deadlines. Also, that the actions are	Y

		<p>reviewed on a regular basis to ensure achievement.</p> <p>- That the following areas are evaluated further to establish whether an audit risk assessment and possible inclusion in the audit plan is required:</p> <p>Housing Needs Assessment. Strategic Housing Land Availability Assessment (SHLAA). Strategic Housing Market Assessments (SHMA). Sustainability appraisals. Other Appraisals and Assessments e.g. Flood risk appraisal, infrastructure appraisals, economic assessments. Growth Point (Providing New Homes). Sub – Regional Housing Needs Assessment and An Affordable Housing development Plan Document. Sub Regional Choice Based Lettings Scheme. Selective Licensing of Landlords and their properties.</p>	Y
NI 44	<p>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. Procedures ensure staff responsible for PIs are aware of the timescale and deadlines for producing, reporting and publishing PIs. Procedures ensure that supporting information, data, reports, etc are produced and retained. Procedures ensure staff responsible for PIs have the current and correct definitions. Independent checks are undertaken to ensure PIs are produced and reported accurately. Policies and procedures have been established to ensure relevant information, data, documentation and IT facilities are held securely and are readily accessible by authorised persons. Procedures ensure staff responsible for PIs are aware of the timescale and deadlines for producing, reporting and publishing PIs.</p>	<p>- Results to be published as soon as they are available in line with Authority deadlines. Once published a reperformance of the figures will be carried out by the Internal Audit Section.</p> <p>- All spreadsheets with sensitive data should be password protected to prevent accidental or deliberate data damage/deletion and/or data theft.</p> <p>- The Data Sharing Protocol should be reviewed and updated as soon as possible.</p>	<p>Y</p> <p>Y</p> <p>Y</p>
Community Grants	Grant expenditure is in accordance with the terms and conditions of the award.	- Organisations who regularly apply for a Community Grant award are requested to submit copies of their constitutions regularly (i.e. bi-	Y

		<p>yearly/every five years) to ensure no changes have occurred and that copies are available if required.</p> <ul style="list-style-type: none"> - Adequate storage space is available to allow all confidential information to be securely stored. - The mislaid acceptance letter is found and placed in the correct organisation's file and a checklist is attached to all files to ensure that all information has been received and filed correctly. - A declaration of interests form is implemented and signed by officers who process and make recommendations relating to the Community Pool. 	<p>Y</p> <p>Y</p> <p>Y</p>
NI 47	<p>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. Procedures ensure staff responsible for PIs are aware of the timescale and deadlines for producing, reporting and publishing PIs. Procedures ensure that supporting information, data, reports, etc are produced and retained. Procedures ensure staff responsible for PIs have the current and correct definitions. Independent checks are undertaken to ensure PIs are produced and reported accurately. Policies and procedures have been established to ensure relevant information, data, documentation and IT facilities are held securely and are readily accessible by authorised persons. Procedures ensure staff responsible for PIs are aware of the timescale and deadlines for producing, reporting and publishing PIs.</p>	<ul style="list-style-type: none"> - Notes relating to the meetings are taken with any required actions noted, circulated to attendees and retained centrally. - An independent check of the PI calculations is performed to ensure accuracy of figures. - Where data and information supporting the PI result, and the result itself, are shared externally or provided by a third party, a written data sharing protocol, contract or service level agreement should exist. 	<p>Y</p> <p>Y</p> <p>Y</p>

Appendix B

Audit	Objectives
Barnard Grove Primary	Ensure school financial and governance arrangements are in line with best practice.
Integrated Transport Unit Workshops	Procedures are in place to ensure identified risk is mitigated in achieving the objectives of the workshops.
Special Education Needs Support	Ensure HBC provides a SEN support service in line with the SEN Code of Practice, statutory requirements and best practice guidance, adequate arrangements are in place to ensure that all children with SEN are identified and provided with appropriate support, the support required is adequately documented, monitored and reviewed to ensure that the correct level is provided, partnership arrangements are clearly defined and aimed at meeting the needs of clients. Adequate performance monitoring is in place, resources are used efficiently, economically and effectively.
Ward Jackson Primary	Ensure school financial and governance arrangements are in line with best practice.
St Aidans Primary	Ensure school financial and governance arrangements are in line with best practice.
Libraries	Procedures are in place to protect assets and data, income collected is securely held and banked promptly, internet security is maintained, no group of users are excluded from or has difficulty using the library, regular stock checks are carried out and a inventory is maintained.
Fraud Awareness	To evaluate the awareness of fraud across the Authority considering the following areas: Newline, 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.
Risk Management	Ensure risk management procedures are in line with expected best practice.
Capital Programme	Ensure that there is a strategic approach to allocating capital resources which links to the Authority's overall aims and objectives. Determine and evaluate the methods in place for prioritising schemes/projects. Examine the arrangements in place for obtaining financing for the capital programme to ensure that all agreements entered into are appropriately authorised. Evaluate the processes in place for allocating and monitoring funding made available for specific projects/schemes. Ensure that there are robust processes in place for monitoring spend against the capital programme and reporting on any issues arising.
Capital Accounting	Examine and evaluate the adequacy of controls in place to ensure the accuracy, validity and completeness of the asset register and accounting records.
SIMS School System	There are effective procedures in place for the SIM's system. Children's Services, Accountancy and Schools are all fully aware of their responsibilities surrounding the SIM's System. There are comprehensive arrangements in place for effective budget setting in SIM's & INTEGRA. Effective arrangements in place surrounding import files and coding within SIM's. Regular reconciliations are carried out between SIM's and Integra. Effective arrangements in place for posting of Income. Effective personnel arrangement in place at schools. Effective security arrangements are in place.
Wrap Around Care Provision	Review the arrangements in place within schools for establishing wrap around care provision and ensuring that they operate in a sustainable manner and all appropriate action taken to comply with legislative requirements.

Loans and Investments	Ensure that all legislative and regulatory requirements have been met, all loans are properly authorised, controlled & recorded in line with current Contract & Financial Procedure Rules. Borrowing levels are related to the authority's needs and there is an adequate borrowing policy, all investments are properly authorised, controlled & recorded in line with current Contract & Financial Procedure Rules, the treasury management software is sufficiently secure to prevent unauthorised access, procedures are in place to ensure that all relevant Treasury Management Practices (TMPs) have been incorporated into the organisation's Treasury Management Policy Statement, and all the relevant systems and routines to be used in the treasury management function are laid down in the schedule to the policy statement, key treasury management indicators are correctly calculated and reported on, giving an accurate and informative picture of the treasury management function's performance. Results are benchmarked or compared to similar organisations and/or similar treasury management functions, procedures are in place to ensure legislative and regulatory requirements are met regarding reporting and accounting for treasury management in the accounts, appropriate levels of valid fidelity insurance are maintained, all bank accounts are set up following laid down secure procedures.
Direct Payments	To ensure all payments made are done so in a controlled way ensuring compliance with good practice and legislation.
Budgetary Control	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.
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.
Section 17 Payments	Ensure documentation supporting payments was properly authorised and accounted for.
Grange Primary	Ensure school financial and governance arrangements are in line with best practice.
Extra Care Village Partnership	Adequate governance arrangements are in place to ensure identified risk is mitigated.
Business Transformation Process	Evaluating the effectiveness of the arrangements in place to mitigate risks in the following areas: Strategy/Policy Arrangements, Performance Management, Accounting Arrangements and Communication.
Landscape Planning and Conservation	Procedures are in place to ensure identified risk is mitigated in achieving the objectives of the section.

CRB	To review the arrangements in place across the Council for setting appropriate policy which requires applicants to be subject to appropriate level of clearance dependent upon the nature of the post; ensuring that such policy is in accordance with legislation and any best practice available; reviewing procedures to ensure compliance with Council Policy. Reviewing the procedures for maintaining up to date registration details, the accurate completion of applications, appropriate checks on identity, the secure handling, processing and storage of disclosures and dealing with returned disclosures in a manner that complies with legislative and regulatory requirements.
Childrens Fund	To ensure that there are arrangements in place for legislation to be complied with and best practise guidance to be considered in relation to the requirements of the Childrens Fund.
Computer Audit	Ensure adequate controls over the use and security of emails and the internet are in place.
Supporting People	Provide assurance that risk is being managed at an acceptable level by reviewing the arrangements in place for delivering the Supporting People Programme.
Sustainability	Ensure the Council takes into account sustainability issues when carry out its functions.