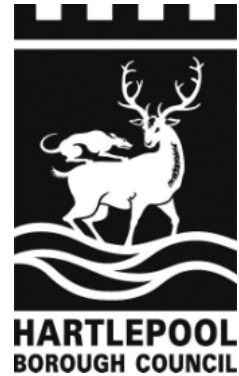


# PLEASE NOTE DATE OF MEETING

## AUDIT COMMITTEE AGENDA



**Thursday 1<sup>st</sup> December 2011**

**at 9.00am**

**in Committee Room B**

MEMBERS: AUDIT COMMITTEE:

Councillors C Akers-Belcher, Hall, Hill, J W Marshall, Preece, Rogan and Wells.

**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 23<sup>rd</sup> September 2011

**4. ITEMS FOR DISCUSSION/DECISION**

- 4.1 Audit Commission Report – Annual Audit Letter – *Chief Finance Officer*
- 4.2 Treasury Management Strategy Update 2011/2012 – *Chief Finance Officer*
- 4.3 Internal Audit Plan 2011/12 Update – *Head of Audit and Governance*
- 4.4 Audit Committee Member Information – *Head of Audit and Governance*

**5. ANY OTHER ITEMS WHICH THE CHAIR CONSIDERS ARE URGENT**

# **AUDIT COMMITTEE**

## **MINUTES AND DECISION RECORD**

23 September 2011

The meeting commenced at 9.00 a.m. in the Civic Centre, Hartlepool

### **Present:**

Councillor Christopher Akers-Belcher (In the Chair)

Councillors Gerard Hall, Cath Hill, Arthur Preece and Ray Wells

In accordance with Council Procedure Rule 4 (ii) Councillor Sheila Griffin was in attendance at substitute for Councillor J W Marshall

Officers: Chris Little, Chief Finance Officer  
Noel Adamson, Head of Audit and Governance  
Sandra Shears, Head of Finance (Corporate)  
Jo Stubbs, Democratic Services Officer

Audit Commission Representatives:  
Kathy Eddowes, Diane Harold and Lynn Snowball

### **11 Apologies for Absence**

Apologies for absence were submitted on behalf of Councillor J W Marshall.

### **12 Declarations of interest by members**

None

### **13 Confirmation of the minutes of the meeting held on 26 July 2011**

Confirmed subject to the addition of Councillor Ray Wells in the list of apologies.

In reference to the Draft Anti Fraud and Corruption Strategy the Chair clarified that the proposed penalty charges for failure to report any changes in circumstances would also be applied to those in receipt of partial benefits. The Chief Finance Officer confirmed this, adding that people receiving full benefit would not be targeted only because the benefits would cancel out the resultant income. The Chair urged officers to adopt a zero tolerance approach to fraud and corruption and do all they could within the resources

they had.

## **14 Approval of 2010/2011 Statement of Accounts** (*Chief Finance Officer*)

### **Purpose of report**

To present the Audit Commission's Annual Governance Report and enable members to approve the final 2010/2011 statement of accounts.

### **Issue(s) for consideration by the Committee**

The Chief Finance Officer presented the report which included the Audit Commission's Annual Governance Report and enabled Members to approve the final 2010/2011 Statement of Accounts.

During the audit a number of accounting misstatements had been identified which required amendments to the accounts. These resulted from the implementation of International Financial Reporting Standards and Hartlepool was not alone in having found challenges in this. Although significant in accounting terms these errors did not affect the overall level of the Council's earmarked reserves and General Fund Balances. However the additional work required by the Auditor had resulted in an additional fee of £4,783.

A number of other issues had also been identified by the Auditor. Appendix 2 of the Annual Governance Report detailed those amendments which the Chief Finance Officer had agreed to make while Appendix B showed those amendments which were recommended by the Auditor but would not be implemented as being not material in the view of the Chief Finance Officer. The Auditor was happy to accept this course of action which members were asked to approve also.

The Auditor presented the Annual Governance Report. She detailed the key positive issues reported therein including her unqualified opinion on the accounts (subject to clearance of residual work) and unqualified conclusion that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in the use of resources. Five recommendations had been made and would be implemented. These were detailed in Appendix 5 of the Annual Governance Report.

Members raised the issue of depreciation saying that this was an area where consistency was the most important thing. The Auditor commented that depreciation figures were estimates and potential overstatements would be cancelled. Each year disposals were tested and consideration given as to whether assets which had been disposed of had been removed from the accounts. Members also queried why the Building Schools for the Future (BSF) expenditure had been removed from the balance sheet. The Auditor advised that this expenditure had related to Dyke House School. As this was no longer a community based school any expenditure relating to it had to be removed from the local authority balance sheet. Members noted that the balance sheets made it appear that the Council's reserves had increased

substantially whereas the change was due to accounting adjustments.

The Auditor informed members that this would be her final meeting with the Audit Committee as she was leaving her post at the end of November. She thanked members and officers for their assistance over the years and wished them well in the difficult times ahead. The Chair likewise thanked the Auditor and wished her well for the future. The Chair also asked that the thanks of the committee be passed onto the Council's finance staff for their hard work.

### **Decision**

- i. That the matters raised in the Audit Commission's Annual Governance Report (Appendix A) be noted
- ii. That the adjustments to the financial statements set out in Appendix 2 of the Audit Commission's Annual Governance Statement be noted
- iii. That the reasons detailed for not amending the Statement of Accounts to reflect the unadjusted misstatements in the accounts (Appendix B) be approved
- iv. That the Letter of Representation (Appendix C) be signed by the Chair
- v. That the Chief Finance Officer implement the action plan at Appendix 5 of the Annual Governance Report
- vi. That the final 2010/11 Statement of Accounts (Appendix D) be approved

## **15 Update on proposed new local audit arrangements** (Chief Finance Officer)

### **Purpose of report**

To update members on proposals for new local audit arrangements published by the Department for Communities and Local Government (DCLG) and the Audit Commission.

### **Issue(s) for consideration by the Committee**

In August 2010 the Government had announced plans to disband the Audit Commission as part of a shift in power away from central government to councils and communities. Current arrangements would remain in place until August 2012 at which point a new external auditor would be appointed by the Audit Commission. Initial contracts would be sought for periods of both three and five years in order to ensure cost effectiveness and an adequate period during which local authorities can prepare to appoint their own external auditors in the future. In the North East the external auditor would be responsible for the auditing of a number of public bodies including local authorities, health service, police and fire brigade. In order to prevent

monopolies rules were in place preventing an external auditor from covering more than 1 geographical area. Members expressed their surprise at central government's willingness to transfer control to the private sector particularly in light of the part the private sector had played in the banking crisis. The Auditor noted that auditors from the public sector had always been completely independent whereas this might not apply to private sector companies which had to bid competitively for work. The current North East audit regime was robustly independent with rigorous quality standards which would have to be adhered to by any private sector firm wishing to compete.

### **Decision**

That the contents of the report be noted and members kept fully apprised of any future developments in relation to the provision of local audit arrangements.

## **16 Treasury Management Outturn 2010/2011** *(Chief Finance Officer)*

### **Purpose of report**

To provide a review of the Treasury Management activity for 2010/2011 and the outturn Prudential Indicators for this period.

### **Issue(s) for consideration by the Committee**

The Chief Finance Officer presented the report which included a summary of the following key issues for the financial year 2010/11

- The economic background for the year;
- The Council's capital expenditure and financing in 2010/11;
- The Council's treasury position at 31<sup>st</sup> March 2011
- The regulatory framework, risk and performance
- Pooled Investment Fund termination.

No significant changes were reported in respect of the Council's treasury management strategy although restrictions had been put in place to limit investment to companies which were vital to central government.

### **Decision**

That the report be referred to Council

## **17 Internal Audit Plan 2011/12 Update** *(Head of Audit and Governance)*

### **Purpose of report**

To inform members of the progress made to date completing the internal audit plan for 2011/12.

### **Issue(s) for consideration by the Committee**

Appendix A to the report detailed the pieces of work that had been completed while Appendix B detailed the audits ongoing at the time the report was compiled. Internal Audit Team had also been involved with the following working groups:

Information Governance Group  
Procurement Working Group  
Performance and Risk Management Group

The Chair noted that auditing of Connexions and redundancy/termination procedures had not yet commenced, commenting that both would need to be completed in order to assist the budget process. The Head of Audit and Governance confirmed that both were scheduled to start in the third quarter.

### **Decision**

That the report be noted.

The meeting concluded at 10:10am.

CHAIR

## **AUDIT COMMITTEE**

**1<sup>st</sup> December 2011**



**Report of:** Chief Finance Officer

**Subject:** AUDIT COMMISSION REPORT- ANNUAL  
AUDIT LETTER.

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### **1. PURPOSE OF REPORT**

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

### **2. BACKGROUND**

- 2.1 This report summarises the findings from the 2010/11 audit. It includes messages arising from the audit of financial statements and the results of the work undertaken to assess arrangements to secure value for money in the use of resources.

### **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

# Annual Audit Letter

Hartlepool Borough Council

Audit 2010/11





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# Key messages

**This report summarises the findings from my 2010/11 audit. My audit comprises two elements:**

- **the audit of the Council's financial statements; and**
- **my assessment of the Council's arrangements to achieve value for money in its use of resources.**

	Our findings
Unqualified audit opinion	Yes
Proper arrangements to secure value for money	Yes

## **Audit opinion and financial statements**

I issued an unqualified opinion on the financial statements on 23 September 2011.

There were several significant errors in the draft financial statements, but these had no impact on the General Fund balance. There were a large number of amendments to disclosures in the statements, many arising from the implementation of International Financial Reporting Standards (IFRS) in 2010/11.

## **Value for money conclusion**

I issued an unqualified conclusion stating the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources on 23 September 2011.

- The Council has arrangements in place to maintain financial resilience, responding quickly and effectively to reductions in Government funding and other financial pressures.
- The Council has effective arrangements for challenging how it secures economy, efficiency and effectiveness.

# Current and future challenges

The Council faces major challenges in the coming years arising from the economic climate and significant reductions in Government funding. It is rising to the challenge and exploring new ways of working. The forthcoming full elections will result in a significant reduction in the number of councillors, following Boundary Commission changes. The Council's financial position is sound, but it should continue to regularly monitor its financial position and delivery of planned savings.

Challenges	Key issues
<b>Economic downturn and pressure on the public sector</b>	<p>The current economic climate is resulting in increasing demand for Council services and reducing income, against a background of reducing Government funding.</p> <p>The Council has a clear vision to maximise service delivery within reduced funding, although there are challenging issues to be addressed, with future difficult choices, inflationary pressures and decisions in relation to council tax increases.</p>
<b>Cutting costs whilst maintaining front-line services</b>	<p>The Council's refreshed transformation programme is driving delivery of the required savings along with a series of projects and consideration of options for the medium and long-term. The programme is challenging the Council's current way of working, achieving efficiencies of over £4 million in 2010/11.</p> <p>For 2011/12, the Council has made good progress so far in taking action to achieve the required savings of some £10 million. The Council has estimated that it needs to make more permanent cuts of about £15 million before the start of 2014/15, including £6.7 million for 2012/13 to balance its budget. There has been good progress so far on plans for achieving these savings.</p>
<b>Consideration of new and alternative models of service delivery</b>	<p>The Council is considering how services can be delivered, with reduced resources, which may require radical changes. To address current challenges, the Council is considering new and innovative service delivery models, such as joint working with other local authorities and outsourcing. New service delivery models may give rise to challenges and risks but also the opportunity for level of the transformation that the current economic climate requires.</p>
<b>Electoral reform and leadership changes</b>	<p>The Council appointed a new Acting Chief Executive internally in September 2011. Following the Boundary Commission's review, there will be a significant reduction in the number of councillors in May 2012 (from 47 to 33) as well as ward boundary changes. The Council will need to consider the impact of these changes, streamlining committee structures to reflect the reducing resource base whilst ensuring effective member oversight.</p>

# Financial statements and annual governance statement

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**The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.**

## **Overall conclusion from the audit**

I issued an unqualified audit opinion on 23 September 2011.

This has been a challenging year with the transition to International Financial Reporting Standards. There were a large number of errors, some material, and amendments to disclosure notes in the accounts which has increased the time taken to audit the financial statements. These changes did not impact on the General Fund balance.

The draft financial statements presented for audit included a significant imbalance on the cash flow statement. Following more work during the audit, the Council was able to reduce the imbalance but not resolve this issue. This has been a problem for a number of years and officers have agreed to take action to address this issue before next year's audit.

I also identified some errors and uncertainties, mainly relating to the identification, classification and valuation of property, plant and equipment in the Balance Sheet, which the Council did not amend the accounts for. If adjusted, these would have increased expenditure by approximately £563,000 (with no impact upon reserves), which I did not consider material to my opinion on the financial statements.

I consider aspects of the Council's accounting practices, accounting policies, accounting estimates and financial statements disclosures as part of my audit. I have recommended that the Council needs to include time in the closure programme to carry out a more robust quality assurance review of the financial statements before presenting them for audit.

I did not identify any significant weaknesses in the Council's internal control arrangements.

# Value for money

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**I considered whether the Council is managing and using its money, time and people to deliver value for money. I assessed the Council's performance against the two criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.**

I concluded that the Council has proper arrangements to secure, economy, efficiency and effectiveness in its use of resources. I issued an unqualified value for money conclusion on 23 September 2011.

My conclusion on each of the two areas is set out below.

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## Value for money criteria and key messages

Criterion	Key messages
<b>1. Financial resilience</b> <b>The organisation has proper arrangements in place to secure financial resilience.</b> Focus for 2010/11: The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.	<b>The Council has proper arrangements in place to ensure its financial resilience.</b> The Council has a good understanding of the current economic climate and has developed a robust Medium Term Financial Strategy (MTFS). A corporate transformation programme supports this, aimed at allowing the Council to deliver the significant savings required and position itself well for future challenges. The Council has a good track record of managing within its budget. Cabinet receives regular quarterly finance and performance reports, which are clearly presented and facilitate effective scrutiny. There remains some scope for further development of reporting, given the risks arising from the current financial climate, which the Chief Finance Officer is already considering. The Council is monitoring its progress in delivering the required efficiencies and savings against specific milestones. This is key, as clarity and promptness of financial reporting, aligned to monitoring the delivery of required savings is increasingly important given the financial pressures facing councils. Overall, the Council has managed the significant financial challenges it has faced well, managing within budget and successfully delivering planned savings and efficiencies.

Criterion	Key messages
<p><b>2. Securing economy efficiency and effectiveness</b></p> <p><b>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</b></p> <p>Focus for 2010/11:</p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p><b>The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Council needs to continue to closely monitor its budget, in particular progress against the savings identified.</b></p> <p>The Council's overarching revised transformation programme, building upon the previous Business Transformation Programme, encapsulates how it will deliver the required savings and cuts, in the current year and longer-term. It plans to do this by a combination of:</p> <ul style="list-style-type: none"> <li>■ continuing a programme of review which encapsulates the Business Transformation service reviews, with a series of planned reductions; and</li> <li>■ a series of projects which enable the Council to either take opportunities to deliver potentially significant savings (while protecting front-line services) or provide for greater service resilience.</li> </ul> <p>Efficiency savings achieved in 2010/11 totalled just over £4 million, on top of addressing the gap left by in-year grant cuts totalling £3.6 million. For 2011/12, the Council has made good progress so far in delivering the required savings of some £10 million. This has been by a combination of efficiencies from its Business Transformation Programme and other service reviews.</p> <p>The Council has estimated that it needs to make more permanent cuts of about £15 million before the start of 2014/15, including £6.7 million for 2012/13 to balance its budget. There has been good progress so far on plans for achieving these savings.</p> <p>In the context of considering efficiencies, the Council is aware that its costs are high in some areas. Building on the previous Business Transformation Programme, the Council is developing a programme of service reviews and wider-reaching changes to achieve the savings required for 2012/13 onwards. Key to achieving the planned savings has been the robust process for reducing budgets following implementation of service review recommendations.</p> <p>The Council is keeping a balance between developing targets and plans in enough detail so they are realistic and achievable, while also more widely considering future service delivery.</p> <p>Looking forward, the Council is considering alternative service delivery models which will present both risks and opportunities. The Council is taking difficult decisions to safeguard its future financial strength and capacity to deliver services. As well as continuing to analyse costs, in particular for any high cost areas, close monitoring of progress in delivery of planned savings for 2011/12 onwards is important.</p>

# Closing remarks

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I have discussed and agreed this letter with the Acting Chief Executive. Arrangements have been made to provide copies of my Annual Audit Letter to all Members. I will present my letter at the Audit Committee meeting on 30 November 2011.

Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

Report	Date issued
Fee letter	April 2010
Opinion Audit Plan	March 2011
Annual Grants Certification Report	January 2011
Progress reports	March, July 2011
Annual Governance Report	September 2011
Opinion on the financial statements	September 2011
Value for Money conclusion	September 2011
Annual Audit Letter	October 2011

The Council has taken a positive and constructive approach to our audit. I wish to thank officers and members for their support and co-operation during the audit.

Lynne Snowball  
District Auditor

October 2011

# Appendix 1 – Fees

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	Actual £	Proposed £	Variance £
Audit fee	271,783	267,000	4,783
Non-audit work	0	0	0
<b>Total</b>	<b>271,783</b>	<b>267,000</b>	<b>4,783</b>

The audit fee of £267,000 reported to the Council in my audit plan was based on the risks identified at the time. There were a large number of errors and inconsistencies in the financial statements presented for audit. This has involved additional time to audit the financial statements and review the corrected statements. Whilst my team has made every effort to carry out the audit work within the proposed fee, this has taken extra time and I have charged an additional fee of £4,783 to reflect the additional time that has been taken.

Note: these figures do not reflect the fee rebate of £13,669 paid to the Council following savings made by the Audit Commission and rebated to audited bodies on a national basis.



# Appendix 2 – Glossary

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## **Annual governance statement**

Governance is about how authorities ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

## **Audit opinion**

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

## **Opinion**

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

## **Value for money conclusion**

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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



# AUDIT COMMITTEE

1<sup>st</sup> December, 2011



**Report of:** Chief Finance Officer

**Subject:** TREASURY MANAGEMENT STRATEGY UPDATE  
2011/2012

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## 1. PURPOSE OF REPORT

- 1.1 To update the Members on matters relating to the Treasury Management Strategy approved on 10<sup>th</sup> February, 2011.

## 2. BACKGROUND

- 2.1 This report is presented to this Committee in its role in reviewing Treasury Management activities.
- 2.2 The current Investment and Borrowing Strategy was approved by the Council on 10<sup>th</sup> February, 2011.
- 2.3 The CIPFA Code of Practice for Treasury Management recommends as best practice, interim reporting of Treasury Management activities. This report provides details of Treasury Management activity for the year to date. The review covers the following areas:
- Economic Outlook and Interest Rates
  - Borrowing Strategy
  - Investment Strategy and Counter Party Risk
  - Prudential Code Monitoring
  - Conclusion

## 3. ECONOMIC OUTLOOK AND INTEREST RATES

### 3.1 Global Economy

- 3.2 The Euro zone sovereign debt crisis has continued with Italy and increasingly Spain, being the focus of renewed market concerns that they may soon join with Greece, Ireland and Portugal in needing assistance. Problems in these economies will be significantly more difficult to manage

and increase the risk of problems spreading to other European countries. This uncertainty and the lack of a co-ordinated or credible Euro zone response, left financial markets concerned over the potential impact of a sovereign default and the resulting effect this would have on the Euro zone banking sector. The approval by various countries of the €440bn bail out fund in September has brought temporary relief to financial markets but this does not provide a credible remedy to the scale of the Greek debt problem or the sheer magnitude of the potential needs of other countries for support.

- 3.3 This, coupled with political difficulties in the US over their plans to address the budget deficit, the size and control over the US sovereign debt, and the subsequent loss of the AAA credit rating from Standard and Poor's, has led to a much more difficult and uncertain outlook for the world economy. Growth prospects in the US, UK and the Euro zone have been lower than expected, with future prospects similarly cut. There are increasing concerns of a double dip recession in some Western economies. World stock markets continue to be volatile and fell in the second quarter of 2011/12 as a consequence of continuing uncertainty and low growth forecasts.

#### 3.4 **UK Economy**

- 3.5 Following zero growth in the final half of 2010/11 the UK economy grew by a weaker than expected 0.1% in the first quarter of 2011/12, providing a knock on effect to future growth prospects. Growth prospects will be governed by UK consumer sentiment, which is currently subdued due to falling disposable income, higher VAT, overhanging debt, high inflation and concerns over employment. These factors are likely to weigh heavily on consumers into the future.
- 3.6 The announcement by the Bank of England's Monetary Policy Committee (MPC) on 6<sup>th</sup> October 2011 of a second round of Quantitative Easing (QE) of £75bn emphasised how seriously the MPC now views a potential double dip recession as being a much bigger concern than inflation. The Bank of England revised their growth forecast downwards on 16<sup>th</sup> November 2011 which underlines the expectation that economic growth will continue to be insipid. Although inflation remains stubbornly high, the MPC's expectation of future falls provided the basis for this new round of QE.
- 3.7 International investors continue to view UK government gilts as being a safe haven from the EU sovereign debt crisis. The consequent increase in demand for gilts has helped to add downward pressure on gilt yields and sent PWLB borrowing rates to low levels. This is not sustainable and the position will need to be monitored carefully to ensure that the Council's budget is not exposed to higher costs in the medium term.
- #### 3.8 **Outlook for the next six months of 2011/12**
- 3.9 There remain huge uncertainties in economic forecasts owing to the following major difficulties:

- the increase in risk that the UK, US and the Eurozone could fall into recession
  - the likely political gridlock in the US preventing significant government fiscal action to boost growth ahead of the Presidential elections in November 2012
  - the potential for a major EU sovereign debt crisis which could have a significant impact on financial markets and the global and UK economies
  - the degree to which world wide government austerity programmes will dampen economic growth;
  - the potential for further quantitative easing, and the timing of this in both the UK and US
  - the speed of recovery of banks' profitability and balance sheet imbalances and the risk of substantial losses being incurred on Euro zone sovereign debt
- 3.10 The overall balance of risks is weighted to a continuation of low growth in the UK, with a low Bank Rate to continue for longer, coupled with a possible further extension of Quantitative Easing. This will keep investment returns depressed.
- 3.12 The expected longer run trend for PWLB borrowing rates is for them to rise, primarily owing to the need for a high volume of gilt issuance (Government Debt) in the UK, and the high volume of debt issuance in other major western countries. However the current safe haven status of the UK may continue for some time, postponing any increases until 2012.
- 3.13 The table below shows Sector's PWLB interest rate forecast. It should be noted that owing to exceptional levels of volatility linked to political developments in the sovereign debt crisis PWLB rates are proving highly unpredictable.

	PWLB Borrowing Rates			
	5 year	10 year	25 year	50 year
Current	2.41	3.46	4.31	4.42
Dec-11	2.30	3.30	4.20	4.30
Mar-12	2.30	3.30	4.20	4.30
Jun-12	2.30	3.30	4.20	4.30
Sep-12	2.30	3.40	4.30	4.40
Dec-12	2.40	3.40	4.30	4.40
Mar-13	2.50	3.50	4.40	4.50
Jun-13	2.60	3.60	4.50	4.60
Sep-13	2.70	3.70	4.60	4.70
Dec-13	2.80	3.80	4.70	4.80
Mar-14	2.90	4.00	4.80	4.90

- 3.14 As a result of the economic conditions described above, the Council will continue to receive historically low investment returns in the medium term.

#### 4. BORROWING STRATEGY

- 4.1 The Council's borrowing and investment position as at 30<sup>th</sup> September, 2011, was as follows:

	£m	Average Rate
Temporary Loans	1.0	0.5%
PWLB Loans	1.8	6.9%
LOBO Loans	45.0	4.0%
<b>Gross Debt</b>	<b>47.8</b>	
Investments	24.8	0.7%
<b>Net Debt</b>	<b>23.0</b>	

- 4.2 The Council is currently under-borrowed in relation to its Capital Finance Requirement (CFR) which was £92.2m as at 31<sup>st</sup> March, 2011. This has been achieved by internalising the Council's borrowings and temporarily using reserves to avoid external borrowing. This has mitigated some of the counterparty risk that continues to be endemic in the financial markets.
- 4.3 Long-term fixed interest rates are currently low but expected to rise by around 0.5% over the three year planning period. The Bank Rate is expected to remain at 0.5% until mid 2013, before rising gradually, although unexpected events could result in rates increasing earlier and to a higher level than expected. With rates at their current levels it continues to be advantageous to use the Council's own cash balances to temporarily fund its capital borrowing requirement. This strategy will avoid increasing cash holding at a time when counterparty risk remains high and investment returns are low. Therefore borrowing should be postponed until cash flow need is more apparent. Any temporary borrowing required will be with short term loans.
- 4.4 There may be a need to undertake some new long term borrowing if long term rates begin to rise in order to protect the Council's position in the future. This is because of the need to balance the risk of higher long term borrowing costs compared to minimising short term interest payments. Currently this is best achieved by the netting down of borrowing and investments, but this could change if long term interest rates begin to rise. The balance of the risks will be kept under review and the Chief Finance Officer will consider the most appropriate form of borrowing after taking into account the interest rates available at the time.

#### 5. INVESTMENT STRATEGY AND COUNTER PARTY RISK

- 5.1 The level of investments as at 30<sup>th</sup> September, 2011, was £24.8m. Approved limits within the annual investment strategy have not breached in the first half of the financial year.
- 5.2 The key objective of the Council's investment strategy is safeguarding the repayment of the principal investment and interest on its investments. The

investment return (interest rate) is a secondary objective. Against the economic background described earlier the current investment climate has one overriding risk consideration, which is counterparty risk. As a result of this underlying concern the Chief Finance Officer is continuing the operational investment strategy which has tightened the controls that were already in place.

- 5.3 The original investments strategy included the approval of various criteria for determining the counterparties which the Council will invest funds with. In accordance with best practice the Council does not rely solely on credit agency ratings. Credit ratings have a role in determining the original list but are supplemented with additional considerations such as Government support.
- 5.4 The original criteria approved by Members provides a starting point which is then restricted further to produce an operational list which is reviewed on a regular basis. Following the increased risk and uncertainty arising from the unprecedented recent economic crisis the Chief Finance Officer has continued to adopt an even more vigilant approach resulting in what is effectively a 'named' list. This consists of a very select number of counterparties that are considered to be the lowest risk. This has involved the Council suspending making new deposits with all building societies.
- 5.5 The Council's approach of suspending building societies from the counterparty list has proven prudent as the ratings for all building societies (except Nationwide) were downgraded in late 2010 and they continue to be relatively poorly rated owing to continuing concerns about their financial stability and exposure to property loans.
- 5.6 The Council has also continued to exclude all foreign banks, including Irish banks from the list following the downgrading of the countries sovereign rating and the continued sovereign debt crisis.
- 5.7 By not relying solely on credit ratings the Council is seeking to take a more pragmatic and broad based view of the factors that impact on counterparty risk. The downside of this prudent approach is a marginally lower investment return than would be possible if deals were placed with organisations with a lesser financial standing.
- 5.8 As part of the approach to maximising security the Council has also kept investment periods short (i.e. less than three months) to further reduce investment risk.

## **6. PRUDENTIAL CODE MONITORING**

- 6.1 As part of the Treasury Strategy for 2011/2012 the Council set a number of prudential indicators. Compliance against these indicators is monitored on a regular basis and there are no breaches of these limits to report.

- 6.2 The tables below show the revised Capital Financing Requirement and Capital Expenditure Funded by Borrowing estimates for 31 March 2011 and an explanation as to why these Prudential Indicators have changed:

<b>Prudential Indicator</b>	<b>31 Mar 2012 Original Estimate £000</b>	<b>31 Mar 2012 Revised Estimate £000</b>
Capital Financing Requirement (CFR)	93,380	96,358
<p>The CFR has been revised to take into account the actual CFR as at 31 March 2011 and has also been adjusted to reflect the rephased capital expenditure from 2010/2011, additional prudential borrowing approval relating to PV Cells, expenditure in 2011/2012 that is anticipated to be rephased into 2012/2013 and a corresponding amendment to the Minimum Revenue Provision.</p>		

<b>Prudential Indicator</b>	<b>31 Mar 2012 Original Estimate £000</b>	<b>31 Mar 2012 Revised Estimate £000</b>
Capital Expenditure Financed by Borrowing	2,686	8,652
<p>Capital Expenditure Financed by Borrowing has been revised to reflect the rephased capital expenditure from 2010/2011, additional approvals relating to PV Cells, expenditure in 2011/2012 that is anticipated to be rephased into 2012/2013.</p>		

## 7. CONCLUSIONS

- 7.1 The Council is currently funding some of its Capital Financing Requirement by using temporary cash balances. This is currently the most cost effective way to finance this expenditure in the short term and is minimising the Councils exposure to counterparty risks. When these resources are no longer available, the Council will either lock into long term rates if this is considered appropriate or use temporary borrowing until long term rates become more cost effective again.

## 8. RECOMMENDATIONS

- 8.1 For Members to note the report and the continuation of the Treasury Management Strategy and approve that the report be referred to Council.



# AUDIT COMMITTEE

1<sup>st</sup> December 2011



**Report of:** Head of Audit and Governance

**Subject:** INTERNAL AUDIT PLAN 2011/12 UPDATE

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## 1. PURPOSE OF REPORT

- 1.1 To inform Members of the progress made to date completing the internal audit plan for 2011/12.

## 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 2010/11. 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
Bus Operators Grant	Ensure grant expended in line with grant terms and conditions.	None	
Salary Sacrifice Scheme	Ensure schemes are in line with HBC strategy/policy, have been set up to meet an assessed need/demand/objective, have been cost benefit analysed, have been commissioned in line with Contract and Financial Procedure Rules where applicable/appropriate, have appropriate contracts in place with the scheme providers, have been adequately publicised so as to maximise the benefits for both employees and HBC and ensure its continued viability, are being administered, monitored and reported on appropriately, will be reviewed at appropriate intervals to assess continued viability.	<p>- A response should be actively sought from legal services on the issues identified below by those officers responsible for each scheme so that they have the assurance that employment law has been complied with:</p> <ul style="list-style-type: none"> <li>• whether contract variation forms are required for the cycle scheme and childcare voucher scheme,</li> <li>• whether the documents in use currently are sufficient,</li> <li>• whether there are any other aspects of employment law which do not appear to have been considered.</li> </ul> <p>- The costing of resources needed to administer the schemes should be completed, this should include staff time, other resources and costs such as credit checks and any other items considered relevant. A reporting mechanism should be developed which can accurately show the savings to both employees and HBC as a result of the schemes. Regular review of both the costing and savings should be made to ensure they are up to date and correct. The two should be regularly compared to ensure costs are being covered by savings.</p>	<p>Y</p> <p>Y</p>
Landlord Accreditation	A Landlord Accreditation Scheme is in place which promotes good standards of accommodation in private rented housing, increases the availability of housing and develops effective relationships with landlords.	<p>- Applications for accreditation should be completed fully and include a signed declaration by the applicant. The service should consider selecting a random sample of properties that should be inspected prior to awarding accreditation. In determining the sample to inspect, consideration should be given as to the number of inspections required to provide the necessary assurance that the landlord provides property of sufficient standards.</p> <p>- Inspection forms should be maintained in a secure manner. A property inspection policy / procedures should be established which formally define the level of inspections required to obtain the necessary assurance required to award accreditation.</p> <p>- Recovery action should be undertaken as a matter of priority to</p>	<p>Y</p> <p>Y</p> <p>Y</p>

Audit	Objectives	Recommendations	Agreed
		<p>obtain up to date gas safety certificates for all accredited properties.</p> <p>- The service should carry out a benchmarking exercise to compare practices with other authorities, identify measures to promote accreditation and maximise the number of landlords participating and assess the economic, efficient and effective use of resources.</p> <p>- Consideration should be given as to how effective the landlord accreditation scheme is operating and its contribution to Council objectives.</p> <p>- Arrangements should be put into place to populate APP with all landlord accreditation data.</p>	<p>Y</p> <p>Y</p> <p>Y</p>
Seaton Nursery	Ensure nursery finance and governance arrangements are in line with best practice.	<p>- Budget monitoring statements should be presented to Governors at least termly. Copies of the budget monitoring statements should be retained to provide evidence as to the accuracy of such reports.</p> <p>- A Register of Business Interests form (including 'nil' returns) should be maintained for all governors and those staff who can influence purchasing decisions. The register should be updated at least annually.</p> <p>- The auditor will carry out the relevant Recruitment testing at the time of the follow up audit to ensure that the correct processes and procedures have been followed for the above vacancy.</p> <p>- Checks should be undertaken on timesheets to ensure errors are identified and rectified prior to submission for payment.</p> <p>- A medium term budget should be in place.</p> <p>- Orders should be used for all goods and services with a few limited exceptions. These orders should then be committed on the Nursery School's financial system to prevent overspending. All orders should be authorised by an appointed authorised signatory.</p> <p>- An annual stock take should be undertaken and the person undertaking the stock take should be independent of the day to day maintenance of the inventory and should sign and date the inventory. All acquisitions/disposals should be recorded on the inventory inclusive of relevant dates.</p> <p>- Records should be maintained of all software loaded onto desktop</p>	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>

Audit	Objectives	Recommendations	Agreed
		<p>machines/laptops by the Nursery.</p> <p>Regular software audits should be undertaken by the Nursery to reconcile software loaded to licences retained to ensure that unauthorised software has not been installed onto machines.</p> <ul style="list-style-type: none"> <li>- Reimbursements are only made for goods where a receipt is provided.</li> <li>- Receipts are provided and retained for all reimbursements made.</li> <li>- Income record documents should be checked to ensure that they reconcile and agree to actual income banked.</li> <li>- Income records for the Jigsaw Club including reference to amounts due for the provision received should be in place to enable balances to be calculated. The Nursery should consider using the proforma issued by Internal Audit.</li> <li>- Checks should be undertaken to ensure that salary costs recorded on the contracts information on SIMS agrees with actual salaries.</li> </ul>	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Selective Licensing	<p>Ensure effective arrangements are in place for planning the selective licensing scheme in a manner that ensures that designation is appropriate, consistent with the overall housing strategy and other relevant initiatives, homelessness and ASB initiatives, and will achieve strategic aims and objectives. Arrangements in place for developing and undertaking a consultation exercise ensure that: All relevant parties are identified and consulted; Appropriate questions are developed; Assessment of the most effective methodology for both promoting and undertaking the exercise is undertaken. Applications for selective licensing are completed for all privately rented properties in the area. Appropriate checks are in place to ensure that applicants meet the 'fit and proper' assessment criteria. Mandatory conditions of the licence are communicated to landlords and enforced.</p>	<ul style="list-style-type: none"> <li>- Planning for the proposed scheme should be revisited to ensure that sufficient evidence to justify the adoption of selective licensing areas is in place. Such evidence should include demonstrable links to the current housing strategy and other relevant initiatives. Analysis of relevant data should also include: <ul style="list-style-type: none"> <li>• lessons learnt from the existing scheme;</li> <li>• resources required to administer the scheme including cost / benefit analysis;</li> <li>• appropriate data analysis which demonstrates ASB that can be directly linked to management of private rented properties;</li> <li>• appropriate data analysis to demonstrate low demand.</li> </ul> </li> <li>- A formal business case, including assessment of risks of undertaking the scheme, should then be developed for consideration.</li> <li>- Formal documented policies / procedures should be developed for all aspects of the selective licensing scheme.</li> <li>- In order to demonstrate that all reasonable efforts have been made to identify relevant consultees the service should obtain details of ownership of empty properties from the Revenues Service. Access to land registry records should then be used to identify</li> </ul>	<p>Y</p> <p>Y</p> <p>Y</p>

Audit	Objectives	Recommendations	Agreed
		<p>gaps in information identified.</p> <ul style="list-style-type: none"> <li>- An exercise should be undertaken to identify all remaining licensable properties. The Selective Licensing database should be updated accordingly and applications issued.</li> <li>- Arrangements for processing applications should ensure that all relevant documentation included in the licence conditions document are obtained prior to awarding licences. Following development of formal policies / procedures for selective licensing, recovery action should be taken to ensure that all licence conditions are enforced fully.</li> <li>- Inspections of properties should be undertaken prior to award of licences.</li> <li>- Consultees providing information to assist in the fit and proper assessment should be required to provide responses (including 'nil' returns) to enable an assessment to be undertaken.</li> <li>- Checks should be undertaken that all licence fees are received.</li> <li>- The service should benchmark activities with other authorities that operate Selective Licensing schemes in order to identify areas of potential improvement.</li> <li>- Legal Services should be requested to consider the legality of the Council in enforcing the selective licensing scheme.</li> </ul>	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Lynnfield Primary	Ensure school finance and governance arrangements are in line with best practice.	<ul style="list-style-type: none"> <li>- In the absence of Finance &amp; General Purpose Committee meetings, the Full Governing Body should undertake the monitoring of budgets which should be evidenced in the minutes from the meeting.</li> <li>- A Register of Business Interests (including 'nil' returns) should be maintained for all governors and those staff who can influence purchasing decisions. The register should be updated at least annually.</li> <li>- All recruitment exercises should be in accordance with the Authority's recruitment procedure with job descriptions/person specifications drawn up for all jobs. Documentation relating to recruitment exercises should be retained securely for a period of six months.</li> <li>- The number of free adult meals provided appears excessive and should only be provided to staff who are undertaking adequate supervisory</li> </ul>	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>

Audit	Objectives	Recommendations	Agreed
		duties.	Y
		- All items of equipment costing in excess of £500 or of a portable and attractive nature should be recorded in the inventory record.	Y
		- Access to SIMS should be for authorised, current employees only. When changes in staffing occur this should be reflected in system access rights.	Y
		- All staff with access to IT systems should complete a data protection form of undertaking.	Y
		- A private funds maintained by the school should have an up to date, current constitution in place, which is approved by the Governing Body, and details the purpose of the fund and arrangements for its management.	Y
		- The school should appoint a person independent from the day to day administration of the school fund(s) to examine the year end financial statements and should be presented to the Governing Body.	Y
		- At least one more signatory should added to the bank mandate to ensure that in the absence of a signatory, cheques can still be processed. A bank mandate for the Book Club account is provided to the auditor.	Y
		- Adequate supporting documentation is retained by the school for all transactions processed through the private fund.	Y
		- Orders should be used for all goods and services with a few limited exceptions. These orders should then be committed on the school's financial system to prevent overspending.	Y
		- At least one member of the recruitment panel should be trained in DfES Safer Recruitment.	Y
		- Staff appraisals should be undertaken and should incorporate financial performance management targets for all staff. Training records should be maintained.	Y
		- The school develop a medium term budget or subscribe to HCSS software.	Y
		- Checks should be made on the accuracy of Neighbourhood Services charges for meals.	Y
		- That the school calculates all outstanding payments due when the provision ceases and endeavours to recoup this outstanding income. In addition, any advance payments made should be reimbursed and a record	Y

Audit	Objectives	Recommendations	Agreed
		<p>maintained of all transactions that occur.</p> <p>- In order to demonstrate Best Value in the provision of its services the school should identify areas to review the economic, efficient and effective use of resources, document these areas in a Best Value statement and submit this statement to the LEA on an annual basis.</p> <p>- Records should be maintained by the school of all software loaded onto desktop machines/laptops etc. Regular software audits should be undertaken by the school to ensure that unauthorised software has not been installed on machines and that the number of software licences retained agrees to the software loaded onto machines.</p> <p>- Children's Services Finance investigates the discrepancies in temporary staff listed in payroll records.</p> <p>- Adequate records should be maintained to record all income received by the school, the date on which it was banked and entered onto the school's financial system. Two members of staff should be involved in the collection and counting of cash received and the income record should be signed by two members of staff to verify that the amount collected agrees to the amount banked.</p>	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Data Information Security	<p>Information risk is considered, managed and monitored by appropriate levels of senior management, Information assets are held securely, Customers are aware of the organisation's information handling policies and have access to avenues to address concerns they may have over information handling, The organisation promotes a culture where information is properly used, protected and valued by ensuring that; new starters are made aware of information policy, there is the opportunity for staff to undertake training in information security to keep up to date with requirements for their posts, there is regular testing of policies and procedures to ensure awareness and understanding of policies amongst staff.</p>	<p>- Users are made aware of the necessity of checking c:drives regularly to ensure that no information/data is being retained.</p> <p>- PGP encryption should be installed on all equipment.</p> <p>- Investigations are carried out to check that the devices that have not connected to the network for 30 days are still required and are in circulation.</p>	<p>Y</p> <p>Y</p> <p>Y</p>
Blue Badges	Ensure scheme is in line with	- Stock records of blue badges should	Y



Audit	Objectives	Recommendations	Agreed
	Government legislation.	be held and spoilt blue badges should be documented. Regular stock checks should be carried out. - Blue Badges should be recorded on a database which has the ability to 'search' on blue badge numbers.	Y
Attendance Management	Ensure a consistent approach to the management of flexi-time and annual leave arrangements across the authority.	- The councils Flexi Leave policy should be reviewed regularly, any changes to the policy should be distributed to all staff who operate the flexi scheme. - Policy/procedures should be established for managers/employees for the awarding and monitoring of Annual Leave. - Arrangements should be made to remind all managers and staff of the requirement to authorise flexi - sheets or the process reviewed as part of the flexi - time policy review. - The requested annual/flexi leave information should be provided to the auditor. - The flexi - time policy requires updating as mentioned previously and it may be that some of the issues identified during the audit require addressing via a policy review rather than enforcing an issue which impacts on the effective delivery of a service. This review should be undertaken as soon as possible to ensure that all employees are subject to the same requirements and sufficient controls are in place.	Y  N  Y  Y  Y
Emergency Planning	Ensure effective arrangements are in place for keeping up to date with legislation / best practice. A Local Resilience Forum is established and operates according to the requirements of the CCA and associated regulations. An agreed information classification system is in place which provides guidance on the categories of information that can and cannot be shared. Information classification is in accordance with legislation such as FOI, DPA. A Risk Assessment is undertaken as required by CCA and its regulations. There are clear links between risk assessments and emergency plans. Emergency plans are maintained that are designed to prevent, reduce, control or mitigate the effects of emergencies. Risks to civil	- Follow up action should be taken to identify and resolve issues that lead to delays in the review of plans. - An analysis of resources used in preparing / exercising plans should be undertaken to determine an appropriate recharge rate. - A benchmarking exercise should be undertaken in order to identify areas / working practices etc which can limit the impact of the reduction in resources.	Y  Y  Y

Audit	Objectives	Recommendations	Agreed
	protection arising from legislation outside of CCA are managed at an acceptable level. Effective arrangements are in place for 'warning and informing' the public are in place. Effective arrangements are in place for managing the Cleveland Emergency Planning Unit. Resources are used in an efficient, effective and economic manner.		
Housing Options Centre	<p>Formal documented arrangements are in place for allocating properties in a manner that</p> <ul style="list-style-type: none"> <li>• is consistent with legislation;</li> <li>• increases the range of choices for applicants;</li> <li>• prioritises applications according to need in a fair and transparent manner;</li> <li>• helps prevent and reduce homelessness.</li> </ul> <p>Housing Options provides an effective advice and assistance service as required by Housing legislation. A strategic approach to tackling and preventing homelessness is in place. Housing Options carries out the Council's statutory duties towards people who are homeless or at risk of being homeless.</p>	<p>- A service level agreement should be implemented with Housing Hartlepool as soon as possible.</p> <p>- Housing Hartlepool should be requested to perform independent checks on the accuracy of input of applications on to the Compass system. Such checks should be evidenced. Such checks should include ensuring that applications are supported by appropriate documentation which demonstrates proof of identity and address. References should also be obtained as required by the Common Allocations Policy. Documentation should be retained in a secure manner.</p> <p>- Annual reviews should be undertaken to confirm that bandings are correct.</p> <p>- Lettings decisions should be subject to management review. Applicants who are not offered properties despite being shortlisted should be informed of reasons why they have been skipped.</p> <p>- Periodic reviews of lettings should be undertaken by the Housing Options Service to ensure that properties are allocated in accordance with the Common Allocations Policy and to those persons registered with highest priority. Where lettings are undertaken in a way that allocates properties to lower banded applicants, explanation should be sought.</p> <p>- All documentation supporting homelessness cases should be retained in a secure manner.</p> <p>- A review of the IT contract will be undertaken as part of the follow up audit.</p>	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Rift House Primary	Ensure school finance and governance arrangements are in line with best practice.	<p>- A register of business interests (including 'nil' returns) should be maintained for all governors and those staff who can influence purchasing decisions. The register should be updated at least annually.</p> <p>- CRB clearances should be reviewed</p>	<p>Y</p> <p>Y</p>

Audit	Objectives	Recommendations	Agreed
		<p>every three years for all members of the Governing Body.</p> <ul style="list-style-type: none"> <li>- Copies of the budget monitoring statements should be retained to provide evidence as to the accuracy of such reports.</li> <li>- Checks should be undertaken to ensure that salary costs recorded on the contracts Information on SIMS agree with actual salaries.</li> <li>- Action to recover debts outstanding should continue as per established procedures. Any debts exceeding £25 should be referred to the LEA in order that recovery action can be taken.</li> <li>- Adequate income records should be used to record all income received in respect of After School Club and Breakfast Club activities to enable reconciliation between income collected and passed to the School Office. The school may use the template provided by Internal Audit for this purpose.</li> <li>- Monthly reconciliations of bank statements and SIMS should be undertaken. A written reconciliation should be provided to HBC Central Accountancy Section on a six monthly basis.</li> <li>- In order to demonstrate that payments are only made for goods / services received, delivery notes should be retained or copy orders annotated with details of delivery.</li> <li>- Orders should be used for all goods and services with a few limited exceptions. These orders should then be committed on the school's financial system to prevent overspending.</li> <li>- In order to demonstrate Best Value in the provision of its services the School should identify areas to review the economic, efficient and effective use of resources, document these areas in a best value statement and submit this statement to the LEA on an annual basis.</li> <li>- All staff that manage personal data should be required to complete a Data Protection Form of Undertaking.</li> <li>- Back ups of IT systems / data should be tested to ensure that systems can be restored in the event of failure. Records of such testing should be maintained.</li> <li>- A review of Information Security Management will be undertaken as part of the follow up review.</li> </ul>	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>

Audit	Objectives	Recommendations	Agreed
		<ul style="list-style-type: none"> <li>- All items of equipment costing in excess of £500 or of a portable and attractive nature should be recorded in an inventory record. The inventory record should be subject to annual independent reconciliations to assets.</li> <li>- Documentation demonstrating that applicants are shortlisted using essential / desirable criteria should be used in recruitment exercises. In addition, panel summary forms detailing the standards of all interviewees should be used to inform the recruitment decision. Recruitment documentation relating to unsuccessful candidates should be disposed of securely after 6 months in order to comply with Data Protection legislation.</li> <li>- The Governing Body should formally adopt a scale of charges which should be reviewed on an annual basis</li> </ul>	<p>Y</p> <p>Y</p> <p>Y</p>

## Appendix B

<b>Audit</b>	<b>Objectives</b>
Kingsley Primary	Ensure school finance and governance arrangements are in line with best practice.
Children Centre	Ensure adequate arrangements are in place for adequate financial management and budgetary control; IT and data security; Income; Purchasing and Contracts; SLAs; Security of assets; Day Care.
HR File Review	Arrangements are in place that ensure all recruitment checks are undertaken and evidence retained on personal files.
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.
Advertising Revenue	Ensure where advertising income is generated it is managed to ensure that the income is received. Review how charges are calculated. Identification of new areas of generating advertising income.
Bribery Act	Ensure adequate arrangements are in place in order to comply with the Bribery Act.
Flu Pandemic Plan	Ensure adequate arrangements are in place to mitigate the risks identified.
Business Continuity	To review the arrangements in place for improving the Council's resilience to interruption and planning to facilitate the recovery of key business systems and processes within agreed time frames while maintaining the responder's critical functions and the delivery of its vital services, in the event of disruption.
Energy Management	Ensure arrangements are in place for procuring energy (gas, electricity and water) in compliance with Contract and Financial Procedure Rules and value for money is being obtained to ensure that the correct payments are being made as per the contract.
Asset Management	Roles and responsibilities are clearly defined on a framework for delivering the effective management of assets across the organisation as a whole. Parties involved in asset management have the skills and competencies required to successfully deliver the objectives of the asset management plan. Accurate, complete and up to date information is maintained of the council's portfolio of assets to enable effective monitoring of the performance of assets in delivering efficient & effective services and aid decision making. The management of assets complies with the capital strategy and asset management plan ensuring that investments in capital schemes provide or configure assets that better suit the public and staff and identify / dispose of surplus and under-performing assets. Buildings and land are used efficiently and effectively to improve value for money and intensify the use of assets through rationalisation, partnership sharing or transferring to third sector organisations. Access to buildings is controlled. Performance measures and benchmarking exercises are used to evaluate how the council's assets contribute to the achievement of corporate and service objectives, including improvement priorities, sustainability objectives and setting challenging targets for improvement.
Capital Accounting	Ensure adequate arrangements are in place in order to comply with all legal and technical requirements.
Building Maintenance	Examine the arrangements in place to manage the maintenance of Council property in line with Council objectives, procuring the services required to provide a maintenance function and the monitoring of this provision.
Operators License	The controls in place ensure that the Authority provides a fleet of vehicles fit for purpose and that all associated controls are in place to mitigate any risk of the loss of the O-Licences held.

# AUDIT COMMITTEE

1<sup>st</sup> December 2011



**Report of:** Head of Audit and Governance

**Subject:** AUDIT COMMITTEE MEMBER INFORMATION

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## 1. PURPOSE OF REPORT

- 1.1 To provide Members of the Audit Committee advice received from the Better Governance Forum in respect of partnerships and how the audit committee can address any challenges that may arise in this area.

## 2. BACKGROUND

- 2.1 In order to ensure that the Audit Committee fulfils its requirements in relation to the review of the Council's accounts and keeps abreast of current thinking into the role of Audit Committees the Better Governance Forum has provided briefing papers for Audit Committee members in public sector bodies.
- 2.2 The latest briefing paper is attached as **Appendix A**, and provides background information and questions relevant to the role of Audit Committee members in the area of partnerships.

## 3 RECOMMENDATION

- 3.1 It is recommended that Members review the contents of the briefing paper and consider the issues raised when undertaking their role in relation to partnerships and challenges that may arise in this area.

## **Appendix A**

### **Introduction**

Dear Audit Committee Member

Welcome to our sixth issue.

We have produced these briefings for audit committee members for almost two years now and I hope they are being widely used.

Being an audit committee member is a demanding but interesting role. Committee agendas cover such a broad range of topics that committee members are constantly learning something new. The pace of change in the public sector means that there are always new challenges and new expectations. We hope that these briefings can make the job of audit committee member easier.

In this issue we tackle the subject of partnerships from the point of view of the audit committee. We know this is one of your most challenging areas so I hope this will be a timely resource. I am pleased to feature an article from Paul Hughes of Grant Thornton in this issue also. Paul provides a topical insight into partnerships and how the audit committee can address the challenges.

As ever, we welcome comments and feedback on the briefing. Please let us know what you think.

Best Wishes  
Diana Melville  
CIPFA Better Governance Forum

### **Future issues of this briefing**

The next issue is planned for January and will focus on planning assurance.

We are also starting to plan future issues. Possible topics include:

- Value for Money
- Scrutiny of treasury management
- Evaluating the effectiveness of internal audit
- Information governance risks

## The Audit Committee role in partnership governance

### What are the issues?

Partnership working has caused many challenges over the last few years and many of them are around issues that concern audit committees. A lot of effort has gone in to improving the effectiveness of partnerships and partnership governance, but there continue to be challenges. Sometimes the audit committee has only a limited view of partnerships and assurance arrangements can be far from clear.

In our recent survey of audit committees in local government heads of internal audit flagged up partnerships as one of the areas where their audit committee was least effective. Only 3% considered their audit committee to be very effective in assuring partnership arrangements. Details are set out in the table below.

Issue	Very effective %	Quite effective %	Neither effective / ineffective	Quite or very ineffective %
Assuring partnership arrangements	3	23	47	28
Engagement with partners	3	21	49	28

### The Audit Committee role

The audit committees should consider significant partnerships as part of their regular agendas. Key areas of activity are likely to include:

- Assurance on partnership governance as part of the Annual Governance Statement.
- Internal Audit reports on partnership arrangements and key partnerships.
- Risk registers and risk management arrangements for partnerships.
- Arrangements for counter fraud work or whistleblowing arrangements in the partnerships.

There are many aspects of partnership working that merit review but it is important that the audit committee role is clearly defined to avoid overlap with the work of other committees or bodies. The audit committee role is not to manage the partnership or to scrutinise the policy & decision making by that partnership, although the audit committee would want assurance that these arrangements are in place and operating effectively. For example in local government a scrutiny committee may undertake scrutiny of the policy & performance of partnerships that fall within their area of interest.



### **Case Study, the Rotherham Audit Committee**

In Rotherham, the Council's Audit Committee has worked with members of the audit committees of partner organisations including Police, Housing and the NHS to create the 'Rotherham Audit Committee'. Part of the remit of the Rotherham Audit Committee is to develop and review the governance arrangements of significant partnerships. As part of this, the respective organisations adopted the Council's partnerships governance model and the joint Audit Committee has regularly reviewed compliance with the model, including assessing the financial management, performance management, decision making and ethical arrangements of the partnerships.

Of specific interest to audit committees will be how partnerships contribute to good governance generally. For example the audit committee will want assurance that there are appropriate arrangements to identify & manage risks, ensure good governance and arrangements for assurance. They will want to know what arrangements have been put in place to maintain accountability to stakeholders and to ensure there is transparency of decision making.

### **Future developments in partnerships**

As well as maintaining their strategic partnerships, public bodies are likely to develop more complex service delivery arrangements in partnership with other public bodies in response to financial challenges. Getting the governance right for such arrangements needs careful planning. Where an organisation is developing such arrangements, the audit committee may wish to receive assurance over governance matters at the project stage and seek clarity over their own responsibilities in relation to the new service delivery organisation.

### **Reviewing the audit committee's approach**

It is worth reviewing how effective your audit committee is in getting assurance on partnerships and what the audit committee itself contributes to good governance in partnerships. The following challenge questions would be a useful starting point:

#### *Assurance on partnerships*

- Does the assurance framework underpinning the Annual Governance Statement adequately cover partnerships?
- What conclusions on partnership working were made in the Annual Governance Statement? Are there any actions you should be monitoring?
- Are risk management arrangements in place to cover partnership risks? Are they effective?

- What other existing assurances do you have on partnerships, for example the internal audit annual report?
- Has the organisation identified all its significant partnerships? Is the list up to date?

*Supporting good governance in partnerships*

- What advice or policy is available to cover partnership governance arrangements? For example, many have a 'protocol' or handbook that sets out who is responsible and what should be put in place.
- Find out what the audit committees of partner organisations do in relation to the partnership. Perhaps there are opportunities to work together?
- Consider whether decision making in partnerships is transparent and whether accountability is clear.
- Consider whether the initiatives that your organisation takes to improve governance should also be developed within the partnership. For example if you undertake ethical awareness training, could that be extended to the partnership?

## **Partnership Working: translating ambition into success**

**Paul Hughes, Director, Public Sector, Grant Thornton UK LLP**

### **Introduction**

Partnership is a word that can mean different things to different people. In a public sector context it has been used to describe such things as shared management teams, shared services, strategic partnering, joint ventures and other incorporated delivery vehicles, unincorporated partnerships, commissioning, outsourcing, co-design, co-production, and even straight forward contracting arrangements. At times it seems that it can be used to describe any activity where one individual or organisation works with another.

The present Government's policies, such as those relating to the Big Society and Open Public Services agendas, alongside the deficit reduction programme, are ramping up the need for public sector organisations to consider - more seriously than ever before - alternative forms of service delivery with other public sector bodies, the private sector and civil society organisations, including possible "spin offs" from their own organisation.

As local authorities and other public sector organisations react to the challenges of the Government's policy agenda and the financial imperatives of the Spending Review 2010, Audit Committees must respond to associated challenges. This includes having the necessary assurances that the governance and risk arrangements required for all the various types of partnership activity are fit for purpose.

### **How have partnerships fared so far?**

The previous Government's Total Place initiative identified that the nature and complexity of the outcomes public bodies are seeking to deliver for their localities require them to work together more collaboratively. The Total Place pilots sought to break down barriers between public sector organisations locally - and between localities and Whitehall - to improve the value of the public pound and enhance the experience of customers receiving services. Whilst the present Government has only supported a handful of the recommendations that came out of Total Place, such as Community Budgets, the momentum for improved partnership and collaboration has been sustained in many areas.

Shared service arrangements, for back office services such as IT, internal audit, revenues and benefits, and payroll have had a mixed success in the past, but are now very much back on the agenda. This includes public-to-public shared services, and the outsourcing of support service provision to private sector partners.

There are some high profile examples of the planned merger of front line service delivery (such as the Tri-Borough partnership of Hammersmith and Fulham, Westminster, and Kensington and Chelsea) and even full scale "constitutional" mergers (such as that being progressed by Babergh and Mid Suffolk District Councils). Even more radically, the wholesale outsourcing of services has been considered by authorities such as Essex and Suffolk County Councils.

Whilst there have been successes in terms of quantifiable improvements in efficiency and / or outcomes, there have also been some less successful partnerships. Common difficulties include a failure to realise savings and other benefits from the partnership business case or significant overspends on major projects where the public sector has partnered with the private sector.

In summary, partnership working is not an end in itself but, when done well, makes a positive contribution to capacity and improves performance, value for money, and the quality of services provided to customers.

#### **What should Audit Committees be doing?**

Partnership governance forms part of the complex governance arrangements of large, multifunctional public sector bodies, and historically there has been room for improvement. For example, the former Use of Resources assessments (carried out by external auditors of local authorities and NHS bodies) often cited underdeveloped partnership governance arrangements as a reason for not awarding higher scores.

The diversification of public service delivery, as set out in the Government's *Open Services White Paper*, is likely to see a proliferation of smaller and less experienced public service providers with more SMEs, charities and social enterprises entering the market alongside larger private sector providers. The White Paper also acknowledges that the risk of failure among providers of public services is likely to increase, as minimum standards and expectations required of providers increase, for example, by the use of outcome based contracts and payment by results. The recent collapse of Southern Cross, and its impact on 31,000 care home residents, has brought this challenge to wider public attention.

As partnerships bring risks as well as opportunities, public sector bodies must ensure they have robust corporate governance arrangements in place, and that there is clear accountability between partners. Audit Committees need to be clear about what assurances they need; which could include:

- a clear understanding of who the organisation's significant partners are appropriate appraisal processes are in place to ensure that detailed partnership business cases are developed and scrutinised effectively;

- a clear understanding of the anticipated outcomes, savings, and other benefits from the partnership – how it adds value, in a document that has been signed off by all partners;
- a realistic assessment of the risks and potential conflicts, and agreement on how they will be managed;
- an appropriate performance management framework to monitor delivery, providing accurate and timely management information for transparent and informed decisions;
- clear contractual arrangements, for example, setting out how risks and rewards are to be shared between partners;
- all legal and statutory requirements have been fully complied with;
- all ethical standards have been complied with, such as registration and declaration of partners' interests;
- there is strong client side experience, with clear ownership and oversight of delivery, including effective contract and project management arrangements;
- there is a properly constituted partnership board with effective and clear leadership;
- contingency plans to ensure continuity of service in the event that something goes wrong.

Partnership governance should be high on the agenda of Audit Committees and they will need to determine how these assurances are provided. For example, this could be a requirement for separate risk registers to be maintained for each significant partnership, or the establishment of a member sub-group to monitor partnership arrangements, particularly during the set up and early operational stages. Annual Governance Statements should explicitly record the governance framework and assurances received in respect of significant partnerships.

As we move into an era where more and more services are likely to be delivered with or by third party organisations, it will be essential that Audit Committees seek the same assurances - and gain at least the same level of confidence on factors such as service quality and continuity, value for money and probity - as they would do if the service was being fully delivered in-house.

Ultimately, public sector bodies remain accountable for the use of taxpayers' money, regardless of who provides a service on their behalf. It is therefore the responsibility of public sector bodies, supported by their Audit Committees, for ensuring the success of partnership working, in whatever form it takes.

## **Developments you may need to know about**

### **Better Governance Forum commentary on the CIPFA audit committee survey**

In the last issue we featured highlights from the recent survey on audit committees in local government. A more comprehensive report and commentary is now available from the website. The survey will be a useful resource for those wishing to evaluate the make up, terms of reference and effectiveness of their committee.

### **Local Audit in England**

The government has requested the Audit Commission to outsource all local public audits currently carried out by the Audit Commission's audit practice. The contracts should be in place by September 2012. Further details of the timetable are available from the Audit Commission website.

This development means that local authorities will not be appointing their own external auditors just yet. The government's consultation has now closed but it is not yet known when the government will publish its bill.

### **The Communities and Local Government Select committee report on local audit**

The select committee have published their report following their scrutiny of the government's proposals. The committee have set out four principles of public audit that they believe should shape future arrangements. The principles are:

- Auditor independence must be strictly maintained;
- Local audit committees must have a majority of independent members;
- Additional safeguards are needed to ensure the continued effectiveness of public interest reporting, and
- The scope of local government audit should be proportionate and risk based. It should allow for local innovation and application, particularly with regards to local value for money work.

### **Quality of external audit**

The Financial Reporting Council (FRC) publishes their assessment of the quality of major firms of external auditors. The Audit Commission has also published its review of audit quality and published its assessment of the work of its own Audit Practice. This assessment also draws on the assessment carried out by the FRC. You can view the reports relating to your external auditor on the FRC website and Audit Commission website.

### **Effective scrutiny of treasury management**

A number of audit committees have taken on the role of providing scrutiny of treasury management following the updated CIPFA Code of Practice in treasury management in 2009. The role can also be undertaken by a scrutiny committee or other non-executive body.

The Better Governance Forum and the Treasury Management Network have developed a self-assessment document that committees undertaking scrutiny of treasury management can use. The document has been endorsed by CIPFA's Treasury Management Panel.

The self-assessment will help those undertaking the scrutiny to identify whether they have the support and training necessary to undertake this role and encourages the development of good practice. It is available to download from the Better Governance Forum website.

### **Risk Governance**

A new risk management guidance note has been developed by the Better Governance Forum. It emphasises the importance of the governance arrangements in relation to risk. In particular it considers the role of the Board or Leadership Team in taking responsibility for strategic risks and showing leadership in risk management. The importance of effective challenge as part of the process of identifying and assessing risks is also emphasised. The audit committee is not responsible for the effectiveness of risk management but has a valuable role to play in having oversight of how the organisation manages its risks and also contributing to the challenge process.

The document includes challenge questions to support a review of your own arrangements. It is available on the website.

### **New guidance on Risk Appetite – launched September**

The Institute of Risk Management launched a new guidance document on Risk Appetite and Tolerance in September 2011. The document outlines an approach that is applicable for both public and private sectors. The document includes a number of questions aimed at the boardroom.

The Better Governance Forum will be working with the Institute of Risk Management to encourage the development of the approach in the public sector.

## **Fraud Risk Evaluation Diagnostic (FRED 2)**

In CIPFA's survey of audit committees in local government we asked whether audit committee agendas included an assessment of the fraud risks their organisation faced. Only 41% of councils responded that they did.

The Better Governance Forum has developed a new tool to support organisations with their fraud risk evaluation. The purpose of FRED2 is to enable practitioners such as risk managers, internal auditors, finance managers and counter fraud specialists, obtain an understanding of the susceptibility to fraud & corruption in their organisation. It prompts the use of seven sources for information to identify areas at risk from fraud. It has been designed to complement the CIPFA Better Governance Forum's Managing the Risk of Fraud (the 'Red Book').

## **Open public services white paper**

In July the government published its white paper. The paper has 5 principles for reforming public services, including '**Ensuring accountability and responsiveness of public services.**' The main approach to improving accountability is by ensuring that information about providers is transparent and accessible and that users and public servants have more choice and discretion in deciding who should deliver them.

## **The Audit Committee cycle**

Agenda items you may be considering during your meetings over the next few months could include the following items:

### **Risk management**

If your agenda contains strategic risk registers or if you review the effectiveness of the risk management process then you will have the opportunity to consider the governance of risk arrangements and other aspects. Audit Committee Update issue 4 focused on risk management so this is a useful resource for you, together with the Risk Governance guidance note.

The Risk Advisory Group has also developed a generic list of risks and opportunities associated with organisational change. This may support the audit committee in reviewing their own registers or providing strategic challenge.

### **The budget cycle and planning service efficiencies**

Most public sector organisations will be facing another challenging budget cycle and will need to plan for changes to services and find savings to balance the budget. The audit committee role is not to develop the budget or to scrutinise



budget proposals. However there may be issues on which the audit committee would wish to have assurance. Key aspects to consider:

- Does the organisation have a strategy for delivering value for money from its services?
- Where savings are proposed is the impact on service clear to the decision makers? Will a budget cut lead to a reduction in service or will efficiency be improved (delivering more for less)?
- Are the risks to good governance from service changes or reductions being identified? Are there any likely consequences for the Annual Governance Statement?

### **Internal Audit – Mid year review**

Committees will typically consider the performance of internal audit half way through the year. Are they on target to achieve the plan? Given the level of change that many public sector organisations are going through it is worth considering the impact on internal audit and the level of assurance that is being delivered.

- Has there been a change to the resources available to internal audit?
- Have new risks and areas for audit been identified? What impact will this have on the plan?
- Do the audit opinions delivered so far show any cause for concern? Are there any common threads indicating wider governance risks within the organisation?

## Agenda Item 4.4

### Partnership Issues Raised by the Better Governance Forum

<p>Does the assurance framework underpinning the Annual Governance Statement adequately cover partnerships?</p>	<p>Partnership arrangements are covered in the Annual Governance Statement.</p>
<p>What conclusions on partnership working were made in the Annual Governance Statement? Are there any actions you should be monitoring?</p>	<p>The following is included in the Annual Governance Statement:</p> <p>“The Authority and the Hartlepool Partnership have adopted a new Community Strategy (2008). The development of the Community Strategy by the Local Strategic Partnership followed an extensive consultation process. Public priorities were established and these are a key element of the budget setting process. The 2008-2011 Local Area Agreement (LAA) was the action plan for achieving the Community Strategy aims. The LAA ended in March 2011 and it has been confirmed that there will be no requirement from central government to prepare a new LAA. The removal of this requirement has provided an immediate opportunity to review the outcome framework and develop a more targeted and slimmed down version of what is currently in place. With this in mind a review of the outcome framework has been undertaken and the proposed new outcome framework, to be implemented from April 2011 has been agreed. The Authority has adopted the revised outcomes as its own corporate objectives. The have been integrated into the council’s corporate plan, department plans and performance management arrangements to enhance management and political accountability. Reviews to consider and make recommendations for how the Council and Hartlepool Partnership service planning arrangements will operate after 2011/12 are underway. These will take account of Coalition Government policy and the level of resources available to the Council in future years.</p> <p>CMT has defined what it considers to be its significant partnerships and an assurance framework has been developed to ensure that adequate governance arrangements are in place that are proportional to the responsibilities and risks of each partnership. The Authority has an ongoing programme of monitoring and reviewing arrangements in place in respect of the operation of its key partnerships. A framework of reporting by exception to Corporate Management Team operates and Internal Audit provides annual</p>

	<p>audit coverage of partnership arrangements. The Audit Committee has highlighted partnerships as a key area of interest and the Authority's control framework will be developed further and the committee regularly updated on progress.</p> <p>As the environment in which the Council operates evolves, Corporate Governance and Partnerships arrangements and internal controls will need to change to meet future requirements. The Localism Bill starts to set out the Coalition Government's view of the future shape and direction for local government. The range of issues addressed is wide and they range from the strategic, for example the "general power of competence" to the very technical, for example changes to local government finance regulations. In parallel to enacting the Localism Bill the Coalition Government is developing its strategy and policies in relation to local government and the public sector generally. The developments include:</p> <ul style="list-style-type: none"> <li>• The Big Society approach;</li> <li>• The White Paper on Public Service Reform expected to be published shortly (the White Paper will draw on the Green Paper Modernising Commissioning: Increasing the role of charities, social enterprises, mutuals and cooperatives in public service delivery published in December 2010);</li> <li>• The review of local Government finance scheduled for later this year;</li> <li>• The Health and Social Care Bill, in particular the transfer of public health function to local government and new performance frameworks for adult social care and public health;</li> <li>• The Academies Bill;</li> <li>• The Welfare Reform Bill.</li> </ul> <p>The development of controls around corporate governance arrangements is a transitional, ongoing process that will build upon existing procedures".</p>
Are risk management arrangements in place to cover partnership risks? Are they effective?	Risk management procedures ensure consideration of partnership arrangements in relation to risk.
What other existing assurances do you have on partnerships, for example the internal audit annual report?	Ongoing Internal Audit coverage.
Has the organisation identified all its significant partnerships? Is the list up to date?	As highlighted in the Annual Governance Statement this is an ongoing process.

What advice or policy is available to cover partnership governance arrangements? For example, many have a 'protocol' or handbook that sets out who is responsible and what should be put in place.	Annual Governance Statement outlines guidance in place. Internal Audit also have draft policy document covering partnership guidance.
Find out what the audit committees of partner organisations do in relation to the partnership. Perhaps there are opportunities to work together?	Closer collaboration will be sought as HBC responsibilities change and adapt to cover new service delivery responsibilities.
Consider whether decision making in partnerships is transparent and whether accountability is clear.	Work ongoing in this area to provide partner organisations with the help and support they need to enable transparency and accountability in service deliver.
Consider whether the initiatives that your organisation takes to improve governance should also be developed within the partnership. For example if you undertake ethical awareness training, could that be extended to the partnership?	Protocol developed to support the ongoing relationship we have with key partners and the requirements the Council has in respect of expected governance arrangements.