

# AUDIT COMMITTEE AGENDA



**19 April 2013**

**at 9.00am**

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

MEMBERS: AUDIT COMMITTEE:

Councillors Ainslie, C Akers-Belcher, Dawkins, Hall, G Lilley, Shields 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 22 March 2013

**4. MINUTES OF THE AUDIT SUB-COMMITTEE**

No minutes to receive.

**5. ITEMS FOR DISCUSSION/DECISION**

- 5.1 Role of the Chief Finance Officer (CFO) in Public Service Organisations – *Chief Finance Officer*
- 5.2 Internal Audit Outcome Report 2012/13 – *Head of Audit and Governance*
- 5.3 Review of the Effectiveness of the System of Internal Audit – *Chief Finance Officer*
- 5.4 Annual Governance Statement 2012/13 – *Chief Finance Officer*

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



# **AUDIT COMMITTEE**

## **MINUTES AND DECISION RECORD**

22 March 2013

The meeting commenced at 9.00 am in the Civic Centre, Hartlepool

**Present:**

Councillor: Christopher Akers-Belcher (In the Chair)

Councillors: Jim Ainslie, Geoff Lilley and Linda Shields

Officers: Chris Little, Chief Finance Officer  
Noel Adamson, Head of Audit and Governance  
Denise Wimpenny, Principal Democratic Services Officer

Mazars Representatives:  
Diane Harold, Senior Manager  
Tim Lloyd, Senior Auditor

### **40. Apologies for Absence**

An apology for absence was submitted on behalf of Councillor Ged Hall.

### **41. Declarations of interest by Members**

None

### **42. Confirmation of the minutes of the meeting held on 12 December 2013**

Confirmed.

### **43. Minutes of the Audit Sub-Committee Meeting held on 17 December 2012**

Received.

### **44. Minutes of the Audit Sub-Committee Meeting held on 28 January 2013**

Received.

**45. Minutes of the Audit Sub-Committee Meeting held on 11 February 2013**

Received.

**46. Minutes of the Audit Sub-Committee Meeting held on 25 February 2013**

Received.

**47. Mazars Report – Audit Progress Report 12/13** (*Chief Finance Officer*)

The Senior Manager from Mazars, who was in attendance at the meeting, provided the Committee with an update on progress made by Mazars in delivering its responsibilities as the Council's external auditors.

The report highlighted key emerging issues and national reports which may be of interest to members of the Audit Committee. Details of the key messages regarding the update were included in the External Auditor's report, attached at Appendix 1 and included a letter to the Chair of this Committee from Mazars in relation to how Mazars formally updated their understanding of how the Audit Committee gained assurance over management processes and arrangements as well as compliance with laws and regulations and any fraud. A response to this letter was included under a separate agenda item (Minute 53 refers).

In concluding presentation of the report, the Senior Manager was pleased to report no significant issues at this interim stage of the audit.

During the discussion that followed the Chief Finance Officer and Senior Manager of the Audit Commission responded to issues raised by Members. Clarification was provided in relation to the level of reserves, the annual review of reserves process, the benefits of such regular reviews as well as the potential risks facing the Council and the impact on audit risk and reserves. The Chair commented on the benefits of utilising the examples of good practice in relation to reserves, as set out in the report, to assist Members of the Finance and Policy Committee when reviewing reserves as part of the budget process for 2014/15.

With regard to future training and development for Elected Members, the Chair suggested that the best practice guidance from the Local Government Association in relation to Health and Wellbeing Boards be utilised to form part of the training for future Health and Wellbeing Board Members.

**Decision**

- (i) That the contents of the report and comments of Members be noted.
- (ii) That examples of good practice in relation to reserves be provided to Members of the Finance and Policy Committee to assist Members in reviewing reserves as part of the budget process for 2014/15.
- (iii) With regard to future training and development for Elected Members, the best practice guidance from the Local Government Association in relation to Health and Wellbeing Boards be utilised to form part of the training for future Health and Wellbeing Board Members.

**48. Mazars Report – Audit Strategy Memorandum 2012/13** *(Chief Finance Officer)*

The Senior Manager from Mazars provided the Committee with the audit plan in respect of the external audit of the Council for the year ending 31 March 2013. The plan set out the proposed audit approach and was prepared to assist the Audit Committee in fulfilling its governance responsibilities, a definition of which was included in the report. Details of the key messages were provided as outlined in Appendix 1.

Members were advised that the external audit fee of £144,180 for 2012/13 represented a reduction of 40% on the 11/12 audit fee and it was anticipated that the fee would remain the same for 2013/14, details of which were included in the report. Whilst Members welcomed the reduction in the audit fee, clarification was sought on the reasons why a reduction of this level had been achievable. The Committee was advised that the reduction was as a result of a procurement exercise and a significant change in the role and remit of external audit, the background of which was outlined.

**Decision**

That the contents of the report be noted.

**49. Mazars Report – Certification of Claims and Returns 2011/12** *(Chief Finance Officer)*

The Senior Manager from Mazars presented the report which provided a summary of the findings from External Audits certification work for the 2011/12 financial year and included any recommendations arising from their assessment of the Council's arrangements for preparing claims and returns. Details of the key messages were provided as set out in Appendix 1.

**Decision**

That the contents of the report be noted.

**50. Public Sector Internal Audit Standards** *(Head of Audit and Governance)*

The report outlined the background to the requirement to demonstrate compliance with the new Public Sector Internal Audit Standards (PSIAS) from 1 April 2013. Details of the key public sector requirements were provided as set out in the report. The Head of Internal Audit and Governance stated that the impact of the changes required by the introduction of UK Public Sector Internal Audit Standards on Internal Audit were expected to be minimal. Members were advised that Internal Audit undertook a review of practice and procedures against (PSIAS), the outcome of which was included in the report. Additional guidance for local authorities would be included in the Local Government Application Note which CIPFA were publishing on 3 April. The Chair requested that any changes required as a result of the CIPFA application note be reported to a future meeting of the Audit Committee.

**Decision**

- (i) That the introduction and developments relating to UK Public Sector Internal Audit Standards (PSIAS) be noted.
- (ii) It was noted that whilst the introduction of these standards would have a minimal impact on the practices and procedures of the Council's Internal Audit some revisions to the Internal Audit Charter and the Audit Planning Strategy were required in order to comply with PSIAS and the Local Government Application Note.
- (iii) That any changes required as a result of the CIPFA Application Note be reported to a future meeting of the Audit Committee.

**51. Internal Audit Plan 2012/13 Update** *(Head of Audit and Governance)*

The Head of Audit and Governance provided an update of progress made to date completing the internal audit plan for 2012/13.

Members were advised that Table 1 of the report detailed the pieces of work that had been completed and recommendations made. In order to continually improve the Internal Audit Service a review of the current process of reporting had been carried out. In order to address areas for improvement, a number of changes to current reporting arrangements had been undertaken, details of which were set out in the report together with the benefits of the new arrangements.

All audits for 2012/13, other than schools, had been undertaken using the

new process with management embracing the changes and compiling their own action plans to mitigate risks identified. The report included a summary of the assurance placed on those audits completed using the new process, further details of which were attached at Appendix A.

The report detailed audits currently ongoing. It was noted that work completed and currently ongoing was in line with expectations at this time of year.

In the discussion that followed the Chair highlighted the importance of all Members of the Council receiving Corporate Fraud Awareness training.

### **Decision**

- (i) That the contents of the report be noted.
- (ii) That Corporate Fraud Awareness training be provided to all Members of the Council.

## **52. Internal Audit Plan 2013/14** *(Head of Audit and Governance)*

To Head of Audit and Government presented the report which informed Members of the direction of internal audit activity and sought approval of the annual operational Internal Audit Plan for 2013/14, attached as an appendix to the report.

The background to the provision of internal audit was provided including Internal Audit Resources for 2013/14. The total budget for the provision of Internal Audit was £227,289 which equated to approximately £226.15 per audit day provided. A total of 66 planned areas of audit coverage would form the basis of the mainstream Internal Audit work for 2013/14. 100 days of audit work would also be provided to the Cleveland Fire Authority.

The report included details of how the audit would be delivered as well as joint working arrangements with Mazars.

The Head of Audit and Governance and Chief Finance Officer provided clarification in response to queries raised by Members in relation to how the budget figures had been calculated as well as the control measures in place to minimise the risks as a result of welfare reform changes.

Assurances were sought that staffing resources were adequate to undertake all the relevant functions of the Council to ensure risks were kept to a minimum given the current challenges and reduction in staffing levels within the Audit Team. Whilst the Chief Finance Officer acknowledged Members' concerns assurances were provided that staffing resources were adequate to meet the legal and statutory responsibilities of the Audit function. A number of measures had been introduced to minimise the impact of reduced resources which included the introduction of new audit software and alternative methods of working.

With regard to the Better Governance forum guidance on approving Internal Audit plans, a copy of which was attached as an appendix, the Chair emphasised the benefits of inclusion of such guidance in future Audit reports to assist new Members of the Audit and Governance Committee in undertaking their role.

### **Decision**

- (i) That the 2013/14 Internal Audit Plan be approved.
- (ii) That the Internal Audit budget for 2013/14 of £227,289 be approved..

## **53. Letter to Those Charged with Governance – Compliance with Laws and Regulations/Fraud** *(Chief Finance Officer)*

The Chief Finance Officer informed Members of the proposal to reply to the letter received from the External Auditor, Mazars to those charged with governance regarding compliance with laws and regulations and fraud.

The report outlined the background to the requirement to demonstrate compliance with International Standards for Auditing (UK and Ireland). The Standard required the Audit Commission to gain each year, an understanding of how the Committee exercised oversight of management's processes for identifying and responding to risks of fraud and the internal controls established to mitigate them. The Audit Commission were required to gain an understanding of the legal and regulatory framework applicable to the audited body and how the audited body was complying with that framework. Auditors were required to undertake audit procedures to help identify instances of non-compliance with those laws and regulations where this impacted on preparing the financial statements.

Attached at Appendix A was a copy of a letter to Mazars from the Chair of the Committee detailing how the Committee had complied with the requirements of International Standards for Auditing.

### **Decision**

That the contents of the letter to Mazars from the Chair of this Committee, attached at Appendix A, outlining how the activities of the Committee complied with the requirements of International Standards for Auditing, be agreed.

The meeting concluded at 10.05 am.

CHAIR

## **AUDIT COMMITTEE**

**19 April 2013**



**Report of:** Chief Finance Officer

**Subject:** ROLE OF THE CHIEF FINANCE OFFICER  
(CFO) IN PUBLIC SERVICE ORGANISATIONS

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

- 1.1 To inform Members of the CIPFA statement – ‘The Role of the CFO in Public Service Organisations’, and how the Council complies with this guidance.

### **2. BACKGROUND**

- 2.1 The role of the CFO is a fundamental building block of good corporate governance and the Local Government Act 1972 (section 151) requires ‘every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs’. This statutory requirement is reinforced by the Local Government and Housing Act 1989 (section 6) which requires that the Section 151 officer is a qualified accountant and a member of an accountancy body approved by the Secretary of State.
- 2.2 The two critical aspects of the CFO’s role are stewardship and probity in the use of resources; and performance, extracting the most value from the use of those resources. The CFO, as the organisation’s most senior executive role charged with leading and directing financial strategy and operations, occupies a pivotal role, both for external stakeholders and within the Leadership Team. CFOs everywhere have a responsibility to ensure that their organisations control and manage money well, and that strategic planning and decision making are supported by sound analysis.
- 2.3 In the public service context, CFOs must also meet the demands of openness and accountability in decision making, balance competition for limited resources across a range of worthwhile objectives, deliver value for money and safeguard taxpayers’ money. Delivering these requires a range of personal qualities, as well as support from both the finance function and the organisation as a whole. It is these expectations, combined with the personal qualities and leadership skills



needed for them to be met, that have shaped the CIPFA Statement on the Role of the CFO in Public Service Organisations (the statement).

- 2.4 The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them. Successful implementation of each of the principles requires the right ingredients in terms of:
- The Organisation;
  - The Role: and
  - The Individual.
- 2.5 For each principle the Statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the CFO role within the organisation. Many of the day-to-day responsibilities may in practice be delegated or in some authorities may even outsource, but the CFO should maintain oversight and control. Summaries of personal skills and professional standards then detail the leadership skills and technical expertise organisations can expect from their CFO. These include the key requirements of CIPFA and the other professional accountancy bodies' codes of ethics and professional standards to which the CFO as a qualified professional is bound. The personal skills described have been aligned with the most appropriate principle, but in many cases can support other principles as well.

### **3. CIPFA STATEMENT ON THE ROLE OF THE CFO IN PUBLIC SERVICE ORGANISATIONS**

#### **3.1 The CFO in a public service organisation:**

- 1 is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
- 2 must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and
- 3 must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

**To deliver these responsibilities the CFO:**

- 4 must lead and direct a finance function that is resourced to be fit for purpose; and
  - 5 must be professionally qualified and suitably experienced.
- 3.2 Appendix A of the report details how the Council ensures that the requirements of the statement are met.

**4. RECOMMENDATION**

- 4.1 It is recommended that Members
- i) note that I have reviewed the CIPFA statement – ‘The Role of the CFO in Public Service Organisations’ and can advise Members that the Council complies with these requirements as detailed in Appendix A.

**5. BACKGROUND PAPERS**

- 5.1 CIPFA Statement on the Role of the CFO in Public Sector Organisations.

**6. CONTACT OFFICER**

- 6.1 Chris Little  
Chief Finance Officer  
Civic Centre  
Victoria Road  
Hartlepool  
T24 8AY
- Tel: 01429 523003  
Email: [Chris.little@hartlepool.gov.uk](mailto:Chris.little@hartlepool.gov.uk)

**How the Five Principles Are Met**

**Principle 1** – The CFO is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.

<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core CFO responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
Set out a clear statement of the respective roles and responsibilities of the Leadership Team and its members individually.	Constitution, Delegated Powers, Job Descriptions in place and clearly define roles and responsibilities.	Contributing to the effective leadership of the organisation, maintaining focus on its purpose and vision through rigorous analysis and challenge.	Corporate Management Team role, delegated powers. CFO leads on all financial matters and ensures Cabinet, Corporate Management Team (CMT) and Corporate Management Team Support Group (CMT SG) buy-in in to Medium Term Financial Strategy and supporting strategies, such as Business Transformation Programme.	Role model, energetic, determined, positive, robust and resilient leadership, able to inspire confidence and respect, and exemplify high standards of conduct.	Actively engaged in the Leadership and Management Development Programme (LMDP). Provides training regarding financial issues to members and staff. Mentors senior finance staff and has regular Finance Management Team meetings and 1 to 1 meeting with senior finance staff.
Ensure that the CFO reports directly to the Chief Executive and is a member of the Leadership Team with a status at least equivalent to other members.	CFO reports directly to Chief Executive. Has regular 1 to 1 meetings with Chief Executive. Is a member of Corporate Management Support Group and attends Corporate Management Team when CFO determines this is appropriate or necessary.	Contributing to the effective corporate management of the organisation, including strategy implementation, cross organisational issues, integrated business and resource planning, risk management and performance management.	See Above	Adopt a flexible leadership style, able to move through visioning to implementation and collaboration/consultation to challenge as appropriate.	See Above.
If different organisational arrangements are adopted, explain the reasons publicly,	Not applicable - see Above	Supporting the effective governance of the organisation through development of – corporate governance	Responsible for the provision an adequate and effective Internal Audit service. Key role in formulating the Annual	Build robust relationships both internally and externally.	See Above. Regular meetings with Directors and other senior managers facilitate establishment of robust

together with how these deliver the same impact.		arrangements, risk management and reporting framework; and – corporate decision making arrangements.	Governance Statement and Code of Corporate Governance.		relationships. Active member of Tees Valley Strategic Finance Officers Group, ANEC Finance Group and CIPFA Municipal Treasurers Group. Regular meetings with external auditors.
Determine a scheme of delegation and reserve powers, including a formal schedule of those matters specifically reserved for collective decisions by the Board, and ensure that it is monitored and updated.	Constitution and Scheme of Delegation in place.	Leading or promoting change programmes within the organisation.	Key role in Business Transformation Programme and Service Delivery Options.	Work effectively with other Leadership Team members with political awareness and sensitivity.	Member of CMT Support Group. Regular contact with all members including Mayor, Cabinet, Portfolio Holders and Members of Scrutiny.
Ensure that organisation's governance arrangements allow the CFO: – to bring influence to bear on all material business decisions; and – direct access to the Chief Executive, other Leadership Team members, the Audit Committee and external audit.	Constitution and Scheme of Delegation in place as well as defined reporting arrangements.	Leading development of a medium term financial strategy and the annual budgeting process to ensure financial balance and a monitoring process to ensure its delivery.	Responsibility for Medium Term Financial Strategy (MTFS) and budgetary control processes matters and ensuring Cabinet, Corporate Management Team (CMT) and Corporate Management Team Support Group (CMT SG) buy-in in to Medium Term Financial Strategy and supporting strategies, such as Business Transformation Programme.	Support collective ownership of strategy, risks and delivery.	Member of CMT Support Group. Represented on Performance and Risk Management Group. Member of Annual Governance Statement Group.
Review the scope of the CFO's other	Review of corporate financial management	Ensuring the medium term financial strategy	Wide consultation undertaken with all	Address and deal effectively with difficult	Peer review carried out by Chief Executive.

## 5.1 Appendix A

management responsibilities to ensure financial matters are not compromised.	through Business Transformation Programme has focused CFO role on core financial management to ensure and effective strategy is developed and implemented to address the financial challenges facing the Council over the next few years.	reflects joint planning with partners and other stakeholders.	relevant stakeholders.	situations.	Ongoing review of skills via LMDP.
Assess the financial skills required by members of the Leadership Team and commit to develop those skills to enable their roles to be carried out effectively.	Overarching Leadership and Management Development Programme (LMDP)/Management Academy in place.			Implement best practice in change management and leadership.	Ongoing development through LMDP/Management Academy and peer review/mentoring. Involvement in SDO reviews.
				Balance conflicting pressures and needs, including short and longer term trade-offs.	Responsibility for Medium Term Financial Strategy (MTFS) and budgetary control processes.
				Demonstrate strong commitment to innovation and performance improvement.	Key role in Business Transformation Programme and Service Delivery Options.
				Manage a broad portfolio of services to meet the needs of diverse communities.	Responsible for full range of financial services aligned with corporate priorities and needs through MTFS.
				Maintain an appropriate balance between the deeper financial aspects of the CFO role and the need to develop and retain a broader focus on	See Above.

## 5.1 Appendix A

the environment and stakeholder expectations and needs.	
Comply with the IFAC Code of Ethics for Professional Accountants, as implemented by local regulations and accountancy bodies, as well as other ethical standards that are applicable to them by reason of their professional status. The fundamental principles set out in the Code are integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. Impartiality is a further fundamental requirement of those operating in the public services.	Professional standards integral to role. Commitment to Professional CPD and LMDP/Management Academy.

**Principle 2** – The CFO must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's overall financial strategy.

<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core CFO responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
Establish a medium term business and financial planning process to deliver the organisation's strategic objectives, including: – a medium term financial strategy to ensure sustainable finances; – a robust annual budget process that ensures financial balance; and – a monitoring process that enables this to be delivered.	MTFS in place, monitoring arrangements and role of Council, Cabinet, Scrutiny and Audit Committees enshrined in the Constitution.	<b>Responsibility for financial strategy:</b> Agreeing the financial framework with sponsoring organisations and planning delivery against the defined strategic and operational criteria.	Responsibility for the production, implementation and monitoring of the MTFS.	Implement appropriate management, business and strategic planning techniques.	Responsibility for MTFS and budgetary control processes.
Ensure that professional advice on matters that have financial implications is available and recorded well in advance of decision making and used appropriately.	The reporting of key decisions is enshrined within the Constitution.	Maintaining a long term financial strategy to underpin the organisation's financial viability within the agreed performance framework.	See Above.	Link financial strategy and overall strategy.	Responsibility for MTFS and budgetary control processes.
Ensure that those making decisions are provided with information that is fit for the purpose – relevant, timely and	See Above	Implementing financial management policies to underpin sustainable long-term financial health and reviewing performance against	Responsibility for the production, implementation and monitoring of Financial Procedure Rules (FPRs) and Standing Orders.	Demonstrate a willingness to take and stick to difficult decisions – even under pressure.	Key role in Business Transformation Programme and Service Delivery Options.

giving clear explanations of financial issues and their implications.		them.			
		Appraising and advising on commercial opportunities and financial targets.	Budget monitoring process and Budget Strategy, key decision advice.	Take ownership of relevant financial and business risks.	Represented on Performance and Risk Management Group. Member of Annual Governance Statement Group
		Developing and maintaining an effective resource allocation model to deliver business priorities.	See Above	Network effectively within the organisation to ensure awareness of all material business decisions to which CFO input may be necessary.	Member of CMT Support Group. Regular contact with Chief Executive, Directors, other senior officers, members, Trade unions,
		Co-ordinating the planning and budgeting processes.	See Above. Annual budget timetable well established and enshrined in constitution.	Role model persuasive and concise communication with a wide range of audiences internally and externally.	See Above. Externally represent Council in meeting with Business sector and various resident groups/ad –hoc budget consultation events.
		<b>Influencing decision making:</b> Ensuring that opportunities and risks are fully considered and decisions are aligned with the overall financial strategy.	Budget Strategy and monitoring process, key decision advice in relation to financial and governance matters.	Provide clear, authoritative and impartial professional advice and objective financial analysis and interpretation of complex situations.	Addressed in MTFS and associated presentation to Cabinet, Scrutiny and other groups. Ongoing development through LMDP and management review/mentoring.
		Providing professional advice and objective financial analysis enabling decision makers to take timely and informed business decisions.	Key decision advice in relation to financial and governance matters.	Apply relevant statutory, regulatory and professional standards both personal and organisational.	See Above.



## 5.1 Appendix A

Ensuring that the organisation's capital projects are chosen after appropriate value for money analysis and evaluation using relevant professional guidance.	Member of Strategic Asset Management Programme Team (SCRAPT).	Demonstrate a strong desire to innovate and add value.	
Checking, at an early stage, that innovative financial approaches comply with regulatory requirements.	Close working relationship with CMT and CMT SG ensure early involvement with innovative approaches to services and financial arrangements to ensure compliance with regulatory requirement and proposals are based on robust business cases.	Challenge effectively, and give and receive constructive feedback.	Ongoing development through LMDP and management review/mentoring. 1 to 1 meetings with Chief Executive and key financial staff.
<b>Financial information for decision makers:</b> Monitoring and reporting on financial performance that is linked to related performance information and strategic objectives that identifies any necessary corrective decisions.	Budget Strategy and monitoring process, key decision advice in relation to financial and governance matters. Corporate Plan aligned with financial PI's.	Operate with sensitivity in a political environment.	Ongoing development through LMDP and peer review/mentoring. Regular contact with members, TU's local business and the community.
Preparing timely management accounts.	Final Accounts timetable.		
Ensuring the reporting envelope reflects partnerships and other arrangements to give an overall picture.	Effective and wide ranging consultation process in place.		

<b>Principle 3 – The CFO must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.</b>					
<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core CFO responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
Make the CFO responsible for ensuring that appropriate advice is given on all financial matters, for keeping financial records and accounts, and for maintaining an effective system of financial control.	Delegated Powers, FPRs and Standing Orders enshrined within Constitution.	<b>Promotion of financial management:</b> Assessing the organisation's financial management style and the improvements needed to ensure it aligns with the organisation's strategic direction.	Strategic direction reflected in MTFS.	Generate 'buy-in' to, and support delivery of, good financial management across the organisation.	<b>Achieved through</b> detailed involvement of Cabinet, CMT and CMT SG in development of financial management strategy and procedures for ensuring good financial management arrangements are in place.
Ensure that systems and processes for financial administration, financial control and protection of the organisation's resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.	Delegated Powers, FPRs and Standing Orders enshrined within Constitution. Scrutiny and Audit Committees in line with legislative arrangements.	Actively promoting financial literacy throughout the organisation.	Allocation of named financial leads to support named budget holders promotes close working relationship and ensure financial management arrangements are effective. Influencing force behind LMDP.	Develop and sustain partnerships, and engage effectively in collaboration.	
Address the organisation's arrangements for financial and internal control and for managing risk in Annual Governance Reports.	Delegated Powers, FPRs and Standing Orders enshrined within Constitution. Scrutiny and Audit Committees in line with legislative arrangements. Internal Audit Section adequately	<b>Value for money:</b> Challenging and supporting decision makers, especially on affordability and value for money, by ensuring policy and operational proposals with financial	Advisory role in terms of CMT and all key committee decisions in respect of financial matters.	Deploy effective facilitation and meeting skills.	

	resourced.	implications are signed off by the finance function.			
Publish annual accounts on a timely basis to communicate the organisation's activities and achievements, its financial position and performance.	Delegated Powers and Final Accounts process.	Developing and maintaining appropriate asset management and procurement strategies.	Key member of SCRAPT (Strategic Capital Resource and Asset Programme Team) and Corporate Procurement Group.	Build and demonstrate commitment to continuous improvement and innovative, but risk-aware, solutions.	
Maintain and resource an effective internal audit function.	Audit Committee remit and effective internal audit assessment carried out annually.	Managing long term commercial contract value.		Place stewardship and probity as the bedrock for management of the organisation's finances.	Budget Strategy and monitoring process, key decision advice in relation to financial and governance matters. Corporate Plan aligned with financial PI's. Review of System of Internal Audit.
Develop and maintain an effective Audit Committee.	Audit Committee role and responsibility enshrined in Constitution. Regular training of audit committee.	<b>Safeguarding public money:</b> Applying strong internal controls in all areas of financial management, risk management and asset control.	Direct line management responsibility for all audit matters.		
Ensure that the organisation makes best use of resources and that taxpayers and/or service users receive value for money.	Delegated Powers relating to Budget Strategy and Budget Monitoring Process.	Establishing budgets, financial targets and performance indicators to help assess delivery.	Budget Strategy and Budget Management Process aligned to corporate plan.		
Embed financial competencies in person specifications and appraisals.	Corporate competencies framework, job descriptions and person specifications.	Implementing effective systems of internal control that include standing financial	Direct line management responsibility for all audit matters, FPR's and Standing Orders.		

		instructions, operating manuals, and compliance with codes of practice to secure probity.	
Assess the financial skills required by managers and commit to develop those skills to enable their roles to be carried out effectively.	See Above	Ensuring that delegated financial authorities are respected.	Performance review mechanisms PI's, Direct line management responsibility for all audit matters.
		Promoting arrangements to identify and manage key business risks, including safeguarding assets, risk mitigation and insurance.	Corporate Risk Management Group, Line management responsibility for Insurance matters.
		Overseeing of capital projects and post completion reviews.	Direct line management responsibility for capital accounting and member of SCRAPT.
		Applying discipline in financial management, including managing cash and banking, treasury management, debt and cash flow, with appropriate segregation of duties.	Direct line management responsibility for all audit matters, FPR's and Standing Orders. CFO personally involved in development and implementation of Treasury Management strategy.
		Implementing appropriate measures to prevent and detect fraud and corruption.	Direct line management responsibility for all audit matters, FPR's and Standing Orders. Money Laundering Reporting Officer (MLRO) responsibilities.

Establishing proportionate business continuity arrangements for financial processes and information.	Corporate lead on Business Continuity.
Ensuring that any partnership arrangements are underpinned by clear and well documented internal controls.	Direct line management responsibility for all audit matters, FPR's and Standing Orders.
<b>Assurance and scrutiny:</b> Reporting performance of both the organisation and its partnerships to the board and other parties as required.	Performance review mechanisms PI's, Direct line management responsibility for all audit matters.
Supporting and advising the Audit Committee and relevant scrutiny groups.	Regular attendance enshrined in job specification.
Preparing published budgets, annual accounts and consolidation data for government-level consolidated accounts.	Responsibility for the production, implementation and monitoring of the MTFS, publishing budget information on Council Tax leaflet and Hartbeat. Responsible for preparing accounts and consolidated government returns.
Liaising with the external auditor.	Direct line management responsibility for all audit matters. Regular meeting with external auditor.

<b>Principle 4 – The CFO must lead and direct a finance function that is resourced to be fit for purpose.</b>					
<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core CFO responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
Provide the finance function with the resources, expertise and systems necessary to perform its role effectively.	Delegated Powers, FPRs and Standing Orders enshrined within Constitution.	Leading and directing the finance function so that it makes a full contribution to and meets the needs of the business.	Direct line management responsibility for all corporate financial matters.	Create, communicate and implement a vision for the finance function.	Responsibility for the production, implementation and monitoring of the MTFS. Regular 1 to 1 with senior finance officers
Ensure there is a line of professional accountability to the CFO for finance staff throughout the organisation.	Structural makeup enshrined in Delegated Powers. FPRs and Standing Orders enshrined within Constitution.	Determining the resources, expertise and systems for the finance function that are sufficient to meet business needs and negotiating these within the overall financial framework.	Delegated powers regarding all financial and governance matters.	Role model a customer focussed culture within the finance function.	Leads by example in approach with Directors and other senior managers that finance function role is to help achieve organisations objectives, whilst ensuring compliance with best practice and legislative requirements.
		Implementing robust processes for recruitment of finance staff and/or outsourcing of functions.	See Above. Recruitment follows corporate proceeds and based on job descriptions and person specification.	Establish an open culture, built on effective coaching and a “no blame” approach.	Regular 1 to 1 meetings with senior finance staff. Open door policy for all staff. CFO accepts responsibility for actions of all team members and encourages staff to use learn from experiences in a ‘no blame’ environment.
		Reviewing the performance of the finance function and ensuring that the services provided are in line with the expectations and needs of its stakeholders.	Corporate Plan reviewed and monitored. 1 to 1 meetings with senior finance manager and regular performance appraisals.	Promote effective communication within the finance department, across the broader organisation and with external stakeholders.	Finance Management Team meetings for internal communication. All finance staff briefing as and when appropriate. Presentations to external groups as appropriate. Article in Hartbeat.

## 5.1 Appendix A

Seeking continuous improvement in the finance function.	Departmental plans constantly monitored. Key role in BTP.	Apply strong project planning and process management skills.	
Identifying and equipping finance staff, managers and the Leadership Team with the financial competencies and expertise needed to manage the business both currently and in the future.	1 to 1 meetings with finance managers. Full engagement of CMT and CMT SG in development of financial strategies. Lead officer in financial aspects of LMDP.	Set and monitor meaningful performance objectives for the finance team.	Corporate appraisal system in place. Regular 1-2-1's
Ensuring that the Head of Profession role for all finance staff in the organisation is properly discharged.	Delegated Section 151 responsibilities enshrined in Constitution. All finance staff report directly to CFO.	Role model effective staff performance management.	Mentor key finance staff across the Division/regular 1-2-1's. Encourage CPD involvement.
Acting as the final arbiter on application of professional standards.	See Above	Coach and support staff in both technical and personal development.	As above.
		Promote high standards of ethical behaviour, probity, integrity and honesty.	Mentor key finance staff across the Division/regular 1-2-1's. Encourage CPD involvement.
		Ensure, when necessary, that outside expertise is called upon for specialist advice not available within the finance function.	Actively seek professional expertise where needed i.e. Treasury management, support for Building Schools for the Future, complex taxation issues etc.
		Promote discussion on current financial and professional issues and their implications.	Mentor key finance staff across the Division/regular 1-2-1's. Encourage CPD involvement.

<b>Principle 5 – The CFO in a public service organisation must be professionally qualified and suitably experienced.</b>					
<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core CFO responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
Appoint a professionally qualified CFO whose core responsibilities include those set out under the other principles in this Statement and ensure that these are properly understood throughout the organisation.	Constitution and delegated powers in operation. Job description and person specification for CFO.			Be a member of an accountancy body recognised by the International Federation of Accountants (IFAC), qualified through examination, and subject to oversight by a professional body that upholds professional standards and exercises disciplinary powers.	CFO is member of CIPFA and meets CPD requirements.
Ensure that the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non-financial areas of their role.	See Above.			Adhere to international standards set by IFAC on: – ethics – Continuing Professional Development.	As above.
				Demonstrate IT literacy.	CFO has required IT skills for role and is able to manage and challenge the departmental IT experts to ensure they are able to effectively discharge their responsibilities.
				Have relevant prior experience of financial management in the public services or private sector.	CFO qualified with CIPFA in 1993 and has held a variety of position with Hartlepool, before appointment as CFO in 2010, including Chief



## 5.1 Appendix A

	Accountant and ACFO (Corporate Finance). Since 1996 the current CFO has acted as lead finance officer for financial services provided to Cleveland Fire Authority (CFA) and in April 2010 was appointed Deputy Treasurer to the CFA.
Understand public service finance and its regulatory environment.	CFO has 20 years post qualification experience and sound understanding of public service finance and its regulatory environment.
Apply the principles of corporate finance, economics, risk management and accounting.	See above
Understand personal and professional strengths.	CFO has a clear understanding of these issues and is committed to continuous improvements. These issues addressed through performance appraisal.
Undertake appropriate development or obtain relevant experience in order to meet the requirements of the non-financial areas of the role.	CFO role has been refocused on core financial responsibilities to ensure financial challenges faces the Council can be managed. CFO has clear understanding of no-financial areas affecting his role.



## **AUDIT COMMITTEE**

**19 April 2013**



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

**Subject:** INTERNAL AUDIT OUTCOME REPORT 2012/13

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

- 1.1 To inform members of the outcomes of audit work covering the period April 2012 to March 2013.

### **2. BACKGROUND**

- 2.1 This report provides accountability for Internal Audit delivery and performance and allows Members to monitor the application of the delegated authority for ensuring an effective and satisfactory internal audit function. All audit work carried out during the year has been in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 as reflected in the Internal Audit Manual, and has taken into account new UK Public Sector Internal Audit Standards (PSIAS). Auditors are instructed to declare if they have any links to the subject matter of any audits undertaken or relationships with auditees that could compromise the impartiality or objectivity of the work undertaken.
- 2.2 Information for Members on the standards of financial administration and management arrangements operating within the Authority is detailed in this report, together with a progress report on the extent of implementation of audit action plans. The consideration and effective implementation of audit action plans is fundamental in ensuring effective financial stewardship and robust financial systems, controls and procedures.
- 2.3 This report also details the performance of Internal Audit in 2012/13 on a range of key performance indicators.
- 2.4 Hartlepool Borough Council also provides the audit services to the Cleveland Fire Authority. In addition to the audits detailed in Appendix A, Internal Audit completed 12 major systems and probity reviews for the CFA during 2012/13.

### **3. AUDIT INPUTS 2012/13**

- 3.1 There were 860 audit days allocated at 1.04.12 to planned and responsive activities during 2012/13.
- 3.2 Staffing resources were as anticipated, ensuring that all high-risk functions were reviewed and a balanced program of work covering all Council departments was achieved for 2012/13.

### **4. OUTCOMES**

- 4.1 Appendix A schedules all the planned audits undertaken in 2012/13. At the time this report was completed work was being finalised on the Payroll System, however sufficient reliance could be placed on testing completed for the purposes of the 2012/13 audit opinion. Only a minority of systems and arrangements reviewed required improvement in Hartlepool.
- 4.2 From the work undertaken during the year 2012/13, I have reached the opinion that reliance can be placed on the adequacy and effectiveness of the organisations control environment. Key systems are operating soundly and that there is no fundamental breakdown in controls resulting in material discrepancy. Satisfactory arrangements were implemented to ensure the effective, efficient and economic operation of Hartlepool Borough Council's financial affairs.
- 4.3 No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance; this statement is intended to provide reasonable assurance. These risks are reflected in the audit plan and are the subject of separate reports issued during the course of 2012/13.

### **5. FOLLOW UP**

- 5.1 Audit reports are issued to auditees following a discussion of any audit findings and risks. Each report includes an Action Plan developed by management and agreed with audit, recording:
  - Action taken to revise systems, procedures and operating arrangements;
  - The response of the auditees;
  - A timescale for introducing the action plan improvements.
- 5.2 In accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the UK, a system of follow up of agreed action plans is in operation to monitor what action has been taken by management in response to audit work. During 2012/13, all audits completed, that had reached the date when a follow up was due, have been the subject of follow up activity.

This position is positive and indicates a commitment by management to further improve controls and financial systems throughout the Authority. Further follow up work is planned in 2013/14 for those actions not yet implemented.

## 6. MONITORING INTERNAL AUDIT PERFORMANCE

- 6.1 Internal Audit is committed to the delivery of a quality service, which accords with the CIPFA Code of Practice for Internal Audit in Local Government in the UK, and to being responsive to the needs of service departments. In common with other central service providers, a number of core performance indicators for Internal Audit Services have been determined for 2012/13. Performance against these targets is detailed below:

### Internal Audit Performance Indicators

Indicator	Target Set for 2012/13	Actual Performance 2012/13
Completion of fundamental systems audits provides assurance that financial procedures are operating effectively.	90%	92%
In addition to the managing auditor reviews, quality reviews of Teammate working paper files and evidence by the Head of Audit and Governance to ensure compliance with the standards laid down in Codes of Practice and adopted in the Internal Audit Manual.	10%	10%
Percentage of Audit Reports issued within 10 working days of audit completion.	87.5%	100%
Percentage of Action Plans followed up within 6 months of completion of the audit.	100%	100%
Annual Report to Members by 30 <sup>th</sup> June following year-end.	30.06.13	19.04.13

## 7. RECOMMENDATION

- 7.1 That Members note the contents of the report.

## 8. BACKGROUND PAPERS

- 8.1 Internal Audit Reports;  
Internal Audit Quarterly Updates;  
CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006;  
UK Public Sector Internal Audit Standards (PSIAS 2013).

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## Appendix A

**Summary of Internal Audit Planned Work Undertaken for 2012/13**

<b>Department</b>	<b>Audit</b>
Chief Executives	Agency Worker Regulations
Chief Executives	Benefits - Housing & Council Tax
Chief Executives	Budgetary Control
Chief Executives	Capital Accounting
Chief Executives	Cash/Bank
Chief Executives	Computer Audit
Chief Executives	Continuous Audit
Chief Executives	Council Tax
Chief Executives	CRB
Chief Executives	Creditors
Chief Executives	Debtors
Chief Executives	Duplicate Payments
Chief Executives	Employees Registers of Interest/Gifts and Hospitalitys
Chief Executives	Fraud Awareness
Chief Executives	Information/Data Management Security
Chief Executives	Insurances
Chief Executives	Loans & Investments
Chief Executives	Localism Act
Chief Executives	Main Accounting
Chief Executives	Members Allowances/Travel/Subsistence
Chief Executives	National Fraud Initiative
Chief Executives	NNDR
Chief Executives	Officers Expenses
Chief Executives	Performance Management Systems
Chief Executives	Redundancies
Chief Executives	Salaries
Chief Executives	VAT
Chief Executives	Wages
Child and Adult Services	Clavering Primary School
Child and Adult Services	Dyke House Secondary School
Child and Adult Services	Elwick Hall C Of E Primary School
Child and Adult Services	English Martyrs Secondary School
Child and Adult Services	Fens Primary School
Child and Adult Services	Free School Meals
Child and Adult Services	Hart Primary School
Child and Adult Services	High Tunstall Secondary School
Child and Adult Services	Holy Trinity C Of E Primary School
Child and Adult Services	Manor College Of Technology
Child and Adult Services	Owton Manor Primary School
Child and Adult Services	Public Health Act
Child and Adult Services	Social Care Governance Arrangements
Child and Adult Services	St. Hilds Secondary School
Regeneration and Neighbourhood Services	Capital Programme Monitoring
Regeneration and Neighbourhood Services	Car Parking - Income
Regeneration and Neighbourhood Services	Energy Management
Regeneration and Neighbourhood Services	Grant Certification
Regeneration and Neighbourhood Services	Housing Options Centre
Regeneration and Neighbourhood Services	Integrated Transport Unit - Highways Capital Grant
Regeneration and Neighbourhood Services	Procurement

**AUDIT COMMITTEE****19 April 2013****Report of:** Chief Finance Officer**Subject:** REVIEW OF THE EFFECTIVENESS OF THE  
SYSTEM OF INTERNAL AUDIT**1. PURPOSE OF REPORT**

- 1.1 To inform Members of the outcome of the review of the effectiveness of the system of Internal Audit in compliance with the Accounts and Audit Regulations (England) 2011.

**2. BACKGROUND**

- 2.1 Regulation 4 of the Accounts and Audit Regulations (2003) was amended in 2006 with new reporting requirements, applicable to local authorities in England, on the effectiveness of the system of internal audit. The Regulations came into force on 1 April 2006 and applied for the 2006/07 reporting year. These Regulations have been amended again with new requirements coming into place in April 2011.
- 2.2 The Department for Communities and Local Government issued guidance on the amended Regulations in March 2011. This Guidance covers the significant changes made to the 2006 Regulations. In the consultation draft 6(3) the regulations included a change to the need to conduct an annual review of the effectiveness of the system of internal audit by changing it to an annual 'review of the effectiveness of its internal audit'. In its response to the consultation on the regulations CIPFA referred to its guidance relating to the previous regulations which advised that the system of internal audit should be interpreted as:
- “the framework of assurance available to satisfy a local authority that the risks to its objectives, and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation”.*
- 2.3 The current wording could lead to a narrow focus on internal audit alone rather than the adequacy of the wider assurance framework and consequently CIPFA had recommended in its consultation response that it be removed. In light of the adopted regulations, CIPFA's Audit Panel is currently considering drafting further guidance to support practitioners.



- 2.4 The view of the Better Governance Forum is that a review of the effectiveness of the assurance framework would be a necessary stage to support the Annual Governance Statement and should form a normal agenda item for the Audit Committee. This would include the contribution made by internal audit but would also cover the wider assurance framework and the audit committee itself. By reviewing the effectiveness of internal audit as part of this wider review then the specific requirements of the Regulations will be met.
- 2.5 At its meeting of 19.03.09, the Audit Committee agreed that the Chief Finance Officer would undertake the review and the committee would receive and consider a report on the findings of the review. Given that it is considered best practice this approach will be continued.

### **3. CARRYING OUT THE REVIEW**

- 3.1 In order to assess whether the system of internal audit has been effective, the definition of effective for the purpose of the review was the satisfactory operation of the framework of assurance that is available to the council in identifying and mitigating the risks it faces in pursuit of its objectives. The review will be an ongoing process that will address new and emerging risks to the authority as they arise and take into consideration different aspects of the system of internal audit on an annual basis.
- 3.2 As a major part of the system of assurance is the role played by the Internal Audit section and the independent opinion given by the Head of Audit and Governance, I carried out the following tasks;
- Reviewed the planning and development work undertaken by Internal Audit in producing an annual audit plan,
  - Reviewed the ongoing use and effectiveness of new audit software,
  - Undertook monthly performance reviews with Head of Audit and Governance.
- 3.3 The role played by the Audit Committee is pivotal to the assurance framework in place at the Council. As such the reports and information provided to the committee were reviewed to ensure they supported the committee in meeting its remit.
- 3.4 The production of the Annual Governance Statement was reviewed to ensure that it reflects the practices in place at the council.
- 3.5 The structure of Internal Audit reporting was reviewed in light of a review of Internal Audit practices.

### **4 RESULT OF REVIEW**

- 4.1 From the tasks undertaken as described above I am satisfied that the

system of internal audit, as defined by the CIPFA Audit Panel in respect of the requirements of the Accounts and Audit Regulations, 2011, is operating effectively in accordance with that described in the Annual Governance Statement.

- 4.2 The Internal Audit annual plan is closely aligned to the risks faced by the Council in achieving its objectives and Internal Audit's own performance management and quality assurance programme ensures CIPFA code of practice requirements are met. The section has reviewed its own procedures to ensure it meets the challenges that the Council faces and the ongoing use of audit software has also enabled Internal Audit to provide a wider opinion on the control environment within existing resources.
- 4.3 The role of the Audit Committee continues to develop and is supported through the reports and information provided by both internal and external sources.
- 4.4 The process of compiling the Annual Governance Statement ensures that officers across the authority are involved in its production and that Corporate Management Team formally approves the contents of the statement.

## **5 RECOMMENDATIONS**

- 5.1 That members consider and approve the findings of the review of the effectiveness of the system of internal audit.

## **6. BACKGROUND PAPERS**

- 6.1 Internal Audit Reports;  
Internal Audit Charter and Strategy;  
Accounts and Audit Regulations 2011.

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## **AUDIT COMMITTEE**

**19 April 2013**



**Report of:** Chief Finance Officer

**Subject:** ANNUAL GOVERNANCE STATEMENT 2012/13

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

- 1.1 To inform Members of the implications to the Council of the Accounts and Audit Regulations (England) 2011 requirement; that the Council publish an Annual Governance Statement (AGS) with the Financial Statements, and the action undertaken by the Council to meet its obligations within the scope of the Regulations.
- 1.2 The report considers the following areas:
- Why the Council needs an AGS,
  - Who is responsible,
  - How the AGS was produced.

### **2. WHY**

- 2.1 To clearly demonstrate to stakeholders, that the Council has adequate arrangements in place to ensure that it effectively manages and controls its financial and operational responsibilities in accordance with acknowledged best practice. Paragraphs 2.2 to 2.3 detail positive benefits to the Council of achieving this end.

#### **2.2 Statutory Requirement**

The Accounts and Audit Regulations require that: “the Council ensures that its financial management is adequate and effective and that there is a sound system of internal control which effectively facilitates its functions and which includes arrangements for the management of risk.

The Council shall conduct a review at least once a year of the effectiveness of its internal controls and shall include a statement on internal control with any statement of accounts it is obliged to publish”.

#### **2.3 Good Governance**

Production and publication of an AGS are the final stages of an ongoing review of internal control and are not activities which can be planned and viewed in isolation. Compilation of an AGS involved the Council in:

- Reviewing the adequacy of its governance arrangements,
- Knowing where it needs to improve those arrangements, and
- Communicating to users and stakeholders how better governance leads to better quality public services.

### **3. WHO**

#### **3.1 Corporate Responsibility**

The Council's system of internal control must reflect its overall control environment, not just financial, which encompasses its organisational structure. Internal control is a corporate responsibility and the scope of internal control accordingly spans the whole range of the Council's activities and includes controls designed to ensure:

- The Council's policies are put into practice and its values are met,
- Laws and regulations are complied with,
- Required processes are adhered to,
- Financial statements and other information are accurate and reliable,
- Human, financial and other resources are managed efficiently and effectively, and
- High quality services are delivered efficiently and effectively.

#### **3.2 Contributors to the AGS**

- Cabinet
- Portfolio Holders
- Audit Committee
- CMT
- CMT Support Group
- CFO
- Monitoring Officer
- External Auditors and other Review Bodies
- Internal Audit and
- Management.

### **4. HOW**

#### **4.1** Having established a system of internal control, it is then necessary to consider which of these controls are key in mitigating against significant risk. By obtaining assurance on the effective operation of these key controls the Council is able to conclude on the effectiveness of the systems and identify where improvement is needed.

The review of internal control and AGS assurance gathering included:

- Establishing obligations and objectives,
- Identifying principal risks,

- Identifying and evaluating key controls to manage risks,
  - Obtaining assurances on the effectiveness of controls,
  - Evaluating assurances,
  - Action planning to correct issues and continuously improve.
- 4.2 In practice the Council already had most of the necessary internal controls in place, what was required was to incorporate them into a framework for producing an AGS that met the requirements of the Regulations. In order to do this the Council has:
- Identified roles and responsibilities,
  - Provided training,
  - Gone through a process of establishing objectives, identifying risks and recording controls,
  - Gathered and retained evidence for inspection,
  - Drafted the AGS.
- 4.3 The AGS will form part of the Councils Statement of Accounts and will be publicised and available on the Councils Website or by request to the Councils Contact Centre.
- 4.4 In order to support members in the process of approving the Annual Governance Statement the Better Governance Forum has provided briefing papers for Audit Committee members in public sector bodies. The briefing paper is attached after the statement for members consideration in relation to issues they may want assurance on regarding the content and process followed in producing the statement. This committee report has been drafted in such a way as to answer the questions posed within the Better Governance Forum Briefing.

## **5. RECOMMENDATIONS**

- 5.1 That Members review and approve the attached 2012/13 Annual Governance Statement.

## **6. BACKGROUND PAPERS**

- 6.1 Accounts and Audit Regulations 2011;  
CIPFA/Solace Good Governance Framework;  
Internal Audit Opinion/Reports;  
External Audit Reports.

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## Appendix A

## **HARTLEPOOL BOROUGH COUNCIL** **ANNUAL GOVERNANCE STATEMENT**

### **1 Scope of Responsibility**

- 1.1 Hartlepool Borough Council is responsible for ensuring that:
- Its business is conducted in accordance with the law and proper standards,
  - Public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.2 The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In discharging these overall responsibilities, Hartlepool Borough Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.4 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at [www.Hartlepool.gov.uk](http://www.Hartlepool.gov.uk) or can be obtained from the Councils Contact Centre. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, Regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

### **2 The Purpose of the Governance Framework**

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and

prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically. The governance framework has been in place at the Council for the year ended 31<sup>st</sup> March 2013 and up to the date of approval of the statement of accounts.

- 2.3 In order to facilitate the completion of the Statement, an officer working group has been formed and a programme of work developed. To ensure that the Statement has been given sufficient corporate priority and profile, the working group included both the Chief Finance Officer and the Assistant Chief Executive. As part of the process regular updates have been given to Corporate Management Team Support Group (CMTSG), the Performance and Risk Management Group and Corporate Management Team.

### **3 Significant Governance Issues Update from 2011/12 Statement**

- 3.1 Progress has been made over the course of 2012/13 to address weakness in the system of governance identified as part of the 2011/12 process. The table below identifies action that has been taken to mitigate the areas of concern raised.

<b>Issue Raised</b>	<b>Action Undertaken</b>
Ensuring effective and comprehensive procurement arrangements.	Ongoing audit and corporate mapping of current arrangements. Internal audit review. Identify options for continuous improvement, communicate and provide targeted training to staff.
Risks involved in managing ongoing budget reductions.	Revised Savings Programme encompassing key required programme elements at a corporate and department level. Resources set aside from 2011/12 outturn to deal with future years reductions in 2013/14. Member's seminars and staff communication strategy. Budget monitoring and defunding budgets at decision point process. Project planning and management reporting to Cabinet, CMT and CMT SG.
Selective Licensing Function	Audit and management review undertaken. Detailed action plan for improvement developed and implemented as confirmed by audit follow up.
Welfare Reform Act.	Review of financial consequences of proposals undertaken. Update reports



	to Cabinet, CMT and CMT SG. Working Group undertaking impact review and developing proposals.
Health and Social Care Act, re transfer of some Public Health responsibilities to the LA.	Ongoing review of statutory requirements in place. Director of Public Health brings regular update reports to Cabinet, CMT and CMT SG on the Public Health Transition Plan which sets out key actions and responsibility in this work. Liaison has taken place with all relevant parties to shape future delivery proposals.
Localism Act	Reports to Council, Portfolio and Cabinet regarding proposed response to Statutory requirements. CMT and CMT SG monitoring of implications of new proposals.
Collaborative Working Issues	Ongoing dialogue between officer groups at authorities. Regular briefing of members and staff undertaken. Update reports to Council, Portfolio and Cabinet.
Governance arrangements as a result of changes to the council size.	Corporate peer review undertaken in September focussing on governance and bedding down of new council structures. Officer working group to support governance working group to develop proposals for new constitution with new constitution developed and agreed with training for officers and members in respect of the requirements and expectations.
Potential for a Mayoral referendum.	Mayoral referendum carried out. New constitution agreed 6 <sup>th</sup> March 2013. .

## 4 **The Governance Framework**

### 4.1 The key elements of the Council's Governance Framework are as follows:

Hartlepool Borough Council has adopted a constitution, which sets out how the Council operates, how decisions are made, the procedures that are followed to ensure that these decisions are efficient and transparent, and sets out the terms of reference for the Portfolio and Committee structure. The constitution was developed in accordance with the Local Government Act

2000 and it sets out the delegated responsibilities to Key Officers such as the Monitoring Officer and Section 151 Officer. An officer working group supported the governance working group in developing proposals for the new constitution in line with the outcome of the Mayoral referendum. The new constitution was agreed on 6<sup>th</sup> March 2013 with training delivered for officers and members in respect of the requirements and expectations.

- 4.2 Effective procedures to identify, evaluate, communicate, implement, comply with and monitor legislative change exist and are used. Workforce Services policies identify suitable recruitment methods and ensure appropriate job descriptions exist for legal staff. Induction training is arranged by Customer and Workforce Services for all staff, departments have responsibility to provide induction training specific to their departmental needs. Legal Division procedures exist for monitoring new legislation, advising relevant departments, and members where appropriate. Legal personnel participate in training events.
- 4.3 Portfolio and Committee terms of reference are included in the constitution. A procedure is in place to ensure that all Portfolio and Committee agendas, minutes and supporting material are available to all staff on the Council's intranet, and to the public on the Council's Internet site.
- 4.4 The constitution contains financial and contract procedure rules, and code of conduct for Members, which have been formally approved. Financial procedure rules have been updated and agreed by Council and contract procedure rules have also been updated to take into account new procurement procedures. The constitution is available to all employees on the intranet and to the public on the Internet. A register of gifts and hospitality is maintained for Members and Officers. The Authority has a Treasury Management Strategy that was approved by Audit Committee on 9<sup>th</sup> November 2012 and referred to Council for approval on 14<sup>th</sup> February 2013. The approved Treasury Management Strategy includes the Investment and Borrowing strategies in compliance with revised CIPFA Prudential Code, CIPFA Treasury Management Code of Practice and DCLG guidance. The Audit Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies before making any necessary recommendations to Council. The Chief Finance Officer reports to the Audit Committee how the Authorities financial arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 4.5 The full cabinet and a range of Member committees regularly meet to review specific policy areas, to consider plans, reports and progress of the Authority.
- 4.6 Workforce Services has drawn up policies to ensure suitably qualified employees are employed in key areas, and supporting terms and conditions of employment for all employees cover all aspects of good employment. Induction courses for key new officers and all new members incorporate suitable training on corporate governance issues according to responsibilities and there is a general staff awareness programme in place.

- 4.7 A Health and Safety Policy has been approved and published and a Communication Strategy implemented to ensure general awareness.
- 4.8 The Authority and the Hartlepool Partnership adopted their Community Strategy in 2008 following an extensive consultation process. Public priorities were established and these are a key element of the budget setting process. The council's corporate plan, departmental plans and performance management arrangements are based around an Outcome Framework which has been developed with partners over a number of years. This integration has enhanced management and political accountability. Following a review of the Council's service planning arrangements in 2012/13 from 2013/14 the Council will produce an annual Council Plan which will incorporate the 3 departmental plans. This will avoid the duplication of reporting that has sometimes happened in previous years and demonstrates how strategic in nature departmental plans have become over the last few years.
- 4.9 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 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.
- 4.10 All departments produce departmental and service plans using a corporate framework to ensure that they reflect the agreed corporate outcomes. The Council's Outcome Framework is reviewed annually and agreed by Cabinet, most recently in October 2012. Departments also complete extensive consultation with service users, forums, partners and the Viewpoint panel. The feedback from these exercises is used to link service and departmental objectives to both the planning process for service delivery and to the corporate outcomes. In order to further embed the process of risk management, control identification and the production of the AGS into the culture and management processes at the council, risks to meeting departmental outcomes and the controls to mitigate those risks are recorded as part of the corporate service planning process at a departmental level. This has brought together service planning, risk management and control identification which has enabled a much more focussed and joined up approach to the use of management information and the production of the AGS. Progress against the Corporate Plan and departmental plans is reported to CMT, Cabinet and Scrutiny Coordinating Committee on a quarterly basis.
- 4.11 A corporate performance management framework approved by CMT and Cabinet is operating across the Council. The framework sets out the process and timetable for reporting on performance. A Data Quality framework is in place with Internal Audit conducting a targeted annual review of PIs. The Council's Performance Management system (Covalent) includes information

relating to departmental and officer responsibility for the collation of data, target setting and addressing performance issues. Covalent also includes action plans, risks and performance indicators enabling clearer links between corporate, departmental and service planning outcomes, actions, risks and PIs.

- 4.12 Key performance indicators are identified in the corporate and departmental plans. These indicators are monitored throughout the year and quarterly reports are presented to members on the delivery of performance targets.
- 4.13 Key policies such as the Corporate Complaints Procedure, Proceeds of Crime (Money Laundering), Whistle Blowing Policy and Counter Fraud and Corruption Policy have been developed and approved for use across the whole Authority. The policies are available to employees via the intranet. Reports are made to portfolio holders every six months summarising, for example, the complaints dealt with and the outcome. The Authority is a member of the IPF Better Governance Forum, the National Anti Fraud Network and also takes part in regular National Fraud Initiative reviews and the North East Fraud Forum. Fraud Awareness assessments took place during 2012-13 using the CIPFA Red Book 2 - Managing the Risk of Fraud - Actions to Counter Fraud and Corruption; as a basis for good practice and the FRED1 (Fraud Risk Evaluation Diagnostic) assessment tool as a means to assess HBC's awareness of fraud. The Red Book 2 was produced by CIPFA Better Governance Forum Counter Fraud Advisory Panel after consultation with fraud practitioners. As it is aligned to the approach by the National Fraud Authority its use as good practice is recommended by organisations such as ALARM.
- 4.14 The Council agreed the Risk Management Framework and Guidance Document in 2011. At this point the structure of the risk registers was changed and a specific risk tolerance level to help prioritise risk activity was introduced. Risks on the accepted risk register are reported to elected members on an annual basis and they are monitored more regularly within departments. A small number of risks are on the actively managed risks register and these are the risks that the department/responsible officer plan to take further action/increase control measures to help reduce the likelihood or impact. These risks are reported to elected members quarterly through the service planning process.
- 4.15 The Framework and Guidance Document is available to all staff via the intranet. Key staff have undergone appropriate training and departmental risk champions lead on communicating the revised process to all relevant staff in their departments.
- 4.16 There is corporate support at senior management level for development of Risk Management with risk assessment procedures published and training given to officers. Regular risk introduction/refresher sessions are offered as part of the Council's Learning Management and Development Programme.
- 4.17 The Finance and Corporate Services Portfolio Holder is Hartlepool Borough Council's risk 'champion'. Each department also has a risk co-ordinator. Risks

and control measures relating to corporate and departmental plans are analysed within the quarterly departmental reports to help ensure that risk and performance reporting are linked. Both corporate and departmental plans are considered as part of the preparation of the AGS.

- 4.18 The Council's Performance and Risk Management system (Covalent) holds the actively managed and accepted risk registers. Risk registers are also maintained for significant projects, such as the ICT re-procurement. Officers that manage risks are notified that risks need to be reviewed and progress is monitored on a quarterly basis through the service planning process. Departments may use a central funding pot for risk management to assist in the financing of risk mitigation.
- 4.19 The Council has long-standing, nationally and regionally recognised emergency planning arrangements through the Cleveland Emergency Planning Unit (EPU). The Council's Emergency Management Response Team (EMRT) meets monthly and exercises at least every 6 months.
- 4.20 Departmental business continuity plans have been developed and specific property and flu pandemic plans are in place. ICT resilience is assisted through remote access to Email and calendars and UPS system. Arrangements were further strengthened in Autumn 2009 when a Disaster Recovery Solution was implemented with Northgate and Housing Hartlepool to facilitate the speedy recovery of key systems in particular those relating to adult and children's care such as Carefirst and ICS.
- 4.21 Flu pandemic planning has identified critical services particularly in respect of vulnerable people, with alternative service provision arrangements identified as part of that process. Considerable work was undertaken in preparing for potential flu pandemic and an Influenza Pandemic Plan has been approved. A future workstream is to integrate the Influenza Pandemic Plan into the new corporate Business Continuity Plan and associated database framework.
- 4.22 The Corporate Business Continuity Group meets monthly and includes lead officers from all departments and the Hartlepool Emergency Planning officer. A revised Business Continuity Plan (BCP) is being developed and a corporate business continuity ICT database has been implemented to record supporting BCP data. New levels of priority / definitions for service restoration have been defined. Population of the new database is complete and a work programme is underway to identify and document new formal decant arrangements for the delivery of priority services in the event of a disruption. Building on previous test exercises of the existing business continuity plan, training exercises on the new plan will be scheduled for 2012/13 to ensure the robustness of the plan, aid familiarity by officers and test communication protocols.
- 4.23 The Equality Act 2010 came into force on 1<sup>st</sup> October 2010 and brings together over 116 separate pieces of legislation into one single Act. Combined, they make up a new Act that will provide a legal framework to protect the rights of individuals and advance equality of opportunity for all. The Act covers the 9 protected characteristics – age, disability, gender

reassignment, marriage/civil partnership, pregnancy/maternity, race, religion/belief, gender and sexual orientation.

- 4.24 The Public Sector Equality Duty (PSED) is supported by "specific duties" to assist public bodies to achieve the aims of the general duty. Under the specific duties, the Council must:
- Publish equalities information to demonstrate its compliance with the Equality Duty by the 31<sup>st</sup> January 2012 and then annually after that; and
  - Develop and publish equality objectives by 6<sup>th</sup> April 2012 and then every four years.
- 4.25 In order to demonstrate our compliance with the above requirements, we have compiled two equality reports 'Equality Information 2012' and 'Workforce Equalities Information 2012' to demonstrate the progress that the Council has made to date. We are aware that there are gaps in our data and are working to provide more information in an accessible format. On that basis both reports will be regularly updated.
- 4.26 Equality issues must influence the decisions reached by public bodies - in how they act as employers; how they develop, evaluate and review policy; how they design, deliver and evaluate services, and how they commission and procure from others. We do this by undertaking Impact Assessments which are an integral part of our decision-making process.
- 4.27 Internal Audit reports on a regular basis to the Audit Committee on the effectiveness of the organisation's system of internal control. Recommendations for improvement are also made and reported on. Internal Audit's performance is measured against standards agreed by management and Members. Internal Audit reporting arrangements have been formalised and strengthened as part of the review of financial procedure rules.
- 4.28 Other review bodies external to the Authority also make regular reports on efficiency, effectiveness and compliance with regulations. Ofsted has rated the Council's children's services as performing well. Most childcare and schools are rated good or outstanding and none are inadequate. The Care Quality Commission has rated the Council's adult social care as excellent. The Council achieved full corporate Investors in People status in August 2008 and Hartlepool Connect has achieved the Customer Service Excellence standard.

## **5 Review of Effectiveness**

- 5.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Audit and Governance's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

5.2 The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

- Corporate Management Team agreed process for the review of the internal control environment. The risk inherent in meeting departmental objectives and the controls to mitigate those risks are recorded as part of the corporate service planning process at a departmental level. This has brought together risk management, control identification and the process for compiling the evidence needed to produce the AGS. This enables managers to provide documented evidence regarding the controls within their service units as part of the service planning process. The controls in place are designed to negate the identified and recorded risks of not achieving service, departmental or corporate objectives. In order to ensure adequate controls are in place the procedures, processes and management arrangements in place to mitigate identified risks and the officers responsible for them are also documented. Gaps in controls can be addressed as part of the regular reviews of departmental risks and control measures.
- Chief Finance Officer – The CFO carries out a review of the effectiveness of the system of internal audit and reports the findings to the Audit Committee. The CFO reports to the Audit Committee how the Authorities financial arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- Internal Audit – the Council has the responsibility for maintaining and reviewing the system of internal control and reviewing annually Internal Audit. In practice, the Council, and its External Auditors, takes assurance from the work of Internal Audit. In fulfilling this responsibility:
  - Internal Audit operates in accordance with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.
  - Internal Audit reports to the Section 151 Officer and Audit Committee.
  - The Head of Audit and Governance provides an independent opinion on the adequacy and effectiveness of the system of internal control, quarterly update reports and an annual internal audit performance report to the audit committee.
  - Internal audit plans are formulated from an approved risk assessment package.
- External Audit – in their annual audit letter, comment on their overall assessment of the Council. It draws on the findings and conclusions from the audit of the Council.
- Other review and assurance mechanisms: for example, Department of Education, Care Quality Commission, Ofsted, Audit Commission, HMI Probation, Investors in People and Service Excellence.

5.3 HBC business continuity group meets quarterly and co-ordinates the Councils business continuity strategy. The group has undertaken testing of the plan within departments.

- 5.4 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## 6 **Significant Governance Issues**

- 6.1 The following significant governance issues have been identified:

No	Issue	Action	Timescale	Responsible Officer
1	Delivery of Peer Review Action Plan.	Independent Public Enquiry agreed by Council to review the declaration of prejudicial /pecuniary interests by all councillors over the last five years, paying particular attention to interests in relation to the voluntary and community sector and the health sector.	2013/2014	CMT
2	Delivery of Medium Term Financial Strategy	Revised Savings Programme encompassing key required programme elements at a corporate and department level. Strategic multi year approach to financial management implemented. Member's seminars and staff communication strategy. Budget monitoring and defunding budgets at decision point process. Project planning and management reporting to Finance and Policy Committee, CMT and CMT SG.	2013/2015	CMT



3	Delivery of Council Plan	Implementation of new governance arrangements. Delivery of performance agreements for Chief Executive and Directors. Regular performance monitoring and reporting to members.	2013/14	CMT
4	Welfare Reform Act.	Review of financial consequences of proposals undertaken, including update of Local Council Tax Support Scheme. Update reports to Finance and Policy Committee, CMT and CMT SG.	2013/14	CMT
5	Health and Social Care Act, re transfer of some Public Health responsibilities to the LA.	Ongoing review of statutory requirements in place. Update reports to Finance and Policy Committee, CMT and CMT SG on known issues. Liaison with all relevant parties to shape future delivery proposals.	2013/14	CMT
6	New governance arrangements.	Ongoing officer review focussing on implementation and bedding down of new council governance structures. Training for officers and members in respect of the requirements and expectations of the new governance arrangements and structures.	2013/14	CMT

- 6.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed on behalf of Hartlepool Borough Council:**

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Mayor

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Chief Executive

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Chair of Audit Committee

## Reviewing the Annual Governance Statement or Statement on Internal Control

### ***What is an Annual Governance Statement (AGS), Statement on Internal Control (SIC) or Statement on Internal Financial Control (SIFC)?***

The AGS, SIC or SIFC is a public statement, normally included with your statement of accounts, which explains how your organisation manages its governance and control arrangements. They are produced by both public and private sector organisations.

### ***What does my organisation need to have?***

Confusingly not all public bodies have the same requirement! While CIPFA recommends that all local government bodies in the UK have an Annual Governance Statement, this is only a statutory requirement in England and Northern Ireland. Welsh authorities have a Statement on Internal Control although an AGS is likely to be required from 2010/11 as the Welsh Assembly Government have consulted on this. In Scotland authorities are required to have a Statement on Internal Financial Control. Central government bodies and health authorities are all required to have a Statement on Internal Control.

### ***What's included in these statements?***

Although the names are different, there are many similarities between these statements as they all evolved out of the Statement on Internal Financial Control. And there are common features in all good statements. A good statement is open and honest, stating what works well and where improvements are needed. It includes a plan, showing who is responsible for taking action and when they will take action by. It also outlines progress against previous action plans. Whilst the focus of an SIFC is on financial controls, the other statements cover the full range of internal controls and the AGS covers wider governance matters such as ethics and leadership too. The statement summarises the key processes for delivering good systems of control and governance and indicates who is responsible for what. Processes are likely to include internal audit activity, risk management, performance management and other types of review and challenge. Responsibility lies with management, especially senior management, and the audit committee has an important role to play in providing challenge and oversight.

### ***What does the Audit Committee do?***

The audit committee has an on-going role in delivering good governance. Every time it reviews an audit report (internal or external) or holds an officer to account for his or her action (or inaction), it is helping to deliver good governance. In relation to the statement itself, the audit committee should take a robust and challenging approach, ensuring that:

- The statement reflects the organisation and is an honest self-assessment. Members should review evidence and challenge it where they believe it to be inaccurate or incomplete.
- They have sufficient assurance from enough separate parts of the organisation (this is known as 'triangulation' in audit circles) to be confident that, where controls and governance are deemed to be good, they are good and, where weaknesses are identified, the statement contains an accurate assessment of those weaknesses.
- The statement itself is well written and would be understood by someone with no knowledge of your organisation. In other words, it should be in plain English, with no jargon and it should include sufficient explanations.
- The action plan addresses all identified problem areas, including those identified in previous years where actions remain incomplete. Actions should be SMART (specific, meaningful, allocated, realistic and timely).

### ***What makes for good governance?***

Good practice approaches include:

- Creating and regularly reviewing a vision and direction for your organisation so that everyone understands what they are there to deliver.
- Indicating the level of service to be delivered – you can't be excellent at everything so what will you concentrate on and what can be good enough?
- Board / Member and officer roles are clearly defined, with schemes of delegation and codes of practice/conduct, so that everyone understands what they should and should not be doing.
- Having standing orders, financial regulations and guidance notes so that everyone knows what procedures are to be followed.
- A robust, challenging and supporting audit committee to provide oversight and review.
- Arrangements to ensure that you comply with laws and regulations and identify and act on changes promptly.
- Appropriate and flexible whistle-blowing arrangements.
- Methods to identify and act on officer and member development needs.
- Excellent and open communication with your community.
- Ways to ensure good governance in all your partnerships.
- Promotion of the values of good governance and ethical standards.

#### ***How do you draw up a good statement?***

- Review and map your assurance framework to make sure that it covers all areas, including the hard to reach ones such as partnerships, and that you do not have any duplication in assurance.
- Obtain wide engagement – not just the head of audit or governance doing everything, but getting mini-governance or assurance statements from directors and heads of service that contribute to the overarching statement and/or setting up a working group to develop the statement.
- Be open and honest – it's about improvement and adding value, not about looking good.
- Be prepared to challenge yourself and look for areas for improvement, perhaps by benchmarking or comparing yourself with other organisations.
- Compare the assurances received to the strategic risk register. Are there any high risk areas that have not been adequately covered?
- Look for any inconsistencies or discrepancies. For example, has assurance been provided that there are no significant problems in an area but you have conflicting evidence from elsewhere (audit, risk, performance, complaints, fraud, etc)?
- Check progress against action plans during the year so problems can be dealt with quickly and governance becomes part of the way we do things round here, not just a once-a-year activity.
- Ensure that the action plan is widely known and understood in the organisation and beyond so that those charged with action are held to account and delivery is more likely.

#### **Key questions to ask:**

- 1. What process has the organisation gone through to gather evidence to support the AGS/SIC/SIFC? Has it involved staff from across the organisation?**
- 2. Have assurance statements already gone through a process of challenge and review prior to presentation to the audit committee? What did this show?**
- 3. Does the action plan flow out of the statement and identify the major issues we need to address as an organisation?**
- 4. Does the action plan include actions outstanding from previous years, prioritised as necessary?**
- 5. How will the action plan be communicated to staff, stakeholders and the public?**