

**PLEASE NOTE CHANGE OF DATE AND TIME**

## **AUDIT AND GOVERNANCE COMMITTEE AGENDA**



**Friday 11 July 2014**

**at 10.30 am**

**in Committee Room B,  
Civic Centre, Hartlepool.**

MEMBERS: AUDIT AND GOVERNANCE COMMITTEE

Councillors Ainslie, S Akers-Belcher, Martin-Wells, Robinson and Sirs

Standards Co-opted Members; Mr Norman Rollo and Ms Clare Wilson.

**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 15 May 2014

**4. AUDIT ITEMS**

- 4.1 Role of the Chief Finance Officer and Head of Internal Audit in Local Government – *Chief Finance Officer*
- 4.2 Internal Audit Plan 2014/15 Update – *Head of Audit and Governance*
- 4.3 Mazars Report- Audit Progress Report 14/15 – *Chief Finance Officer*
- 4.4 The 2013/14 Financial Report (including the 2013/14 Statement of Accounts) – *Chief Finance Officer*

**5. STANDARDS ITEMS**

No items.



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6. **STATUTORY SCRUTINY ITEMS**

No items.

7. **MINUTES FROM THE RECENT MEETING OF THE HEALTH AND WELL BEING BOARD**

No items.

8. **MINUTES FROM THE RECENT MEETING OF THE FINANCE AND POLICY COMMITTEE RELATING TO PUBLIC HEALTH**

No items.

9. **MINUTES FROM RECENT MEETING OF TEES VALLEY HEALTH SCRUTINY JOINT COMMITTEE**

No items.

10. **MINUTES FROM RECENT MEETING OF SAFER HARTLEPOOL PARTNERSHIP**

No items.

11. **REGIONAL HEALTH SCRUTINY UPDATE**

No items.

12. **ANY OTHER BUSINESS WHICH THE CHAIR CONSIDERS URGENT**

FOR INFORMATION:

Date of next meeting – Thursday 7 August, 2014 at 10.00 am in the Civic Centre, Hartlepool.



## **AUDIT AND GOVERNANCE COMMITTEE MINUTES AND DECISION RECORD**

15 MAY 2014

The meeting commenced at 9.30 am in the Civic Centre, Hartlepool

### **Present:**

Councillor Keith Fisher (In the Chair)

Councillors: Stephen Akers-Belcher, Brenda Loynes and Linda Shields.

Co-opted Members: Norman Rollo and Clare Wilson.

Also Present: In accordance with Council Procedure rule 5.2;  
Councillor Paul Beck as substitute for Councillor Jean Robinson.

Mark Kirkham and Diane Harold, Mazars  
Judith Gray, Hartlepool HealthWatch  
David Emerton, North Tees and Hartlepool NHS Foundation Trust (NTHFT)  
Kath Martin, Theatre Manager, NTHFT  
Janet Alderton, Assistant Director, Clinical Governance, NTHFT  
Mark Cotton, Assistant Director of Communications, North East Ambulance Service  
Sharon Pickering, Director of Planning and Performance, Tees, Esk and Wear Valleys NHS Foundation Trust (TEWV)  
Stephen Scorer, Deputy Director of Nursing, TEWV

Officers: Chris Little, Chief Finance Officer  
Noel Adamson, Head of Audit and Governance  
Andy Graham, Public Health Registrar  
Joan Stevens, Scrutiny Manager  
Laura Stones, Scrutiny Support Officer  
David Cosgrove, Democratic Services Team

### **227. Apologies for Absence**

Councillors Jonathan Brash and Jean Robinson.

### **228. Declarations of Interest**

None.

## **229. Any Other Items which the Chairman Considers are Urgent**

The Chairman ruled that the following items of business should be considered by the Committee as a matter of urgency in accordance with the provisions of Section 100(B) (4)(b) of the Local Government Act 1972 in order that the matter could be dealt with without delay.

## **230. University Hospital Hartlepool – Never Event Near Miss**

The Chair referred to the 'Any Other Business' item raised at the meeting on 2 May (minute 213 refers) when the Vice-Chair raised the issue of the never event near miss at University Hospital Hartlepool and the Committee agreed to request that the Trust attend this meeting to give an explanation of the event. The Chair thanked the three representatives from the Trust that were in attendance at the meeting to brief Members.

Dr David Emerton, Medical Director, Janet Alderton, Assistant Director, Clinical Governance and Kath Martin, Theatre Manager from North Tees and Hartlepool NHS Foundation Trust (NTHFT) were present at the meeting. Dr Emerton outlined the incident for Members information. The patient concerned was on a list for relatively minor hand and wrist surgery. The operation was conducted under local anaesthetic.

As part of the normal procedures prior to any operation, minor or major, there were the usual series of checks undertaken involving the patients details and the procedure to be undertaken. All the theatre staff were involved in this process except for the surgeon who was competing the notes from the previous procedure. The whole of the hand was prepped for surgery as was normal practice.

When the surgeon commenced the procedure, it was immediately spotted by a nurse that the initial incision was lower on the hand than the procedure the patient required. The procedure was immediately stopped and, as the patient was conscious, the surgeon apologised unreservedly to the patient. The procedure the patient required was undertaken, surgery being relatively short, and then both incisions were closed.

The event was defined as a 'wrong site surgery' and was one of what were described as 'never events' within the NHS. Last year there were some 312 'never events' reported. It was fortunate that this event was relatively minor, though that did not diminish the incident within the Trust. The surgeon had apologised to the patient at the time and subsequently in writing. The incident had been reported to the Trust Board; which was how the event was reported in the local press. All concerned were very keen to ensure that lessons were learnt from the incident to ensure, as far as was humanly possible, there was no repeat.

Kath Martin, Theatre Manager informed the Committee of the procedures that operated within the surgical teams and wards. All patients were checked at ward level and at theatre to check their identity, the operation they were to have and who would be undertaking the surgery. The Trust used the World Health Organisation (WHO) Surgical safety Checklist to minimise the risk of mistakes in surgery. Patients were checked at ward level and then also at in the holding area pre surgery. Over the years the number of checks had been questioned but the checklist was considered to be good practice and essential to patient safety.

The Theatre Manager indicated that generally the list check within surgery was undertaken by the Theatre Practitioner. The brief on each patients procedure and the sign in and sign out from surgery was also done by the Theatre Practitioner. Generally individual patients were signed in by the Anaesthetist, although as with this case this was slightly different with procedures being done under local anaesthetic. After the procedure there was then a sign out procedure which would include any specific instructions for the recovery ward. There would then be the surgical de-brief.

The Trust's theatres adopted the 'Productive Theatre' process which included specific lead staff and auditing. These procedures were the same at both hospitals so staff moving between the two sites had consistency. This incident had been the Trust's only 'never' incident. There were regularly around 20,000 surgical procedures carried out each year across the Trust. All procedures had been audited in order to ensure as much as possible could be learnt from this incident to ensure such a mistake did not happen again.

The Chair welcomed the information given by the Trust which he considered gave him more confidence in the procedures around surgery. Members questioned if the initial checking stage in surgery was meant to be a team event. The Theatre manager indicated that it was and should involve the main surgeon. Members were concerned that while this was a system involving human factors, in this instance, it appeared that the most important individual had not been fully involved in the briefing process. There was concern that the WHO checklist had not been signed off by the surgeon. The Trust indicated that as he was scrubbed for surgery, the surgeon couldn't sign the documentation but the surgeon should lead the checklist procedure and all surgeons had been written to to indicate that this was the expectation.

The Vice-Chair acknowledged the need for confidentiality around the patient concerned and assured the Trust that the Committee would never wish to breach such confidentiality. Indeed, it was not necessary at all for the Committee to be aware of the individual patient; it was the incident that was its only concern. The Vice-Chair did believe that the Trust needed to open in its communication with the local authority in light of its statutory scrutiny role. If there had been some indication that there had been an incident that was being investigated before Members were contacted by the press the headlines may have been slightly different. There was no

expectation that the local authority needed to be informed of everything happening only major issues such as this.

The Trust acknowledged the comments and agreed that open communication needed to be maintained. The Trust's Board meetings were open to the press and public and it was through this that the press had become aware of the incident. The Chair indicated that the local authority was open to supporting the openness in communication.

During the debate some concerns were raised in relation to staffing levels at the hospital. The Trust indicated that staffing was closely scrutinised to ensure it was at an optimum level. There were 'stress periods' when a larger than normal number of patients may come into hospital but Members were assured that staffing was closely monitored not just in numbers but that the right mix of staff were on duty. The Trust also stated that patient safety was their most important consideration and incidents such as the one discussed were exceptionally rare.

The Chair thanked the Trust for their attendance at the meeting and their frankness in answering the Committee's questions. The Chair hoped that the Trust did not see the time discussing the issue to be wasted as much had been learnt by Members through this process.

#### **Recommended**

That the discussions be noted.

### **231. Minutes of the meeting held on 17 April 2014**

Confirmed.

### **232. Minutes of the meeting held on 2 May 2014**

Confirmed.

### **233. Mazars Report - Audit Progress Report 2013/14** *(Chief Finance Officer)*

The representatives from Mazars presented a report updating the Committee on their progress in meeting their responsibilities as the Council's external auditor. The report highlighted key emerging issues and national reports which may be of interest to the Audit Committee.

The report highlighted an identified internal control weakness in relation to periodic journal reviews. This had been raised with officers and a retrospective review showed that there were other checks in place within the Council's internal systems.

It was indicated that there was not expected to be any increase in audit fees for 2014/15

**Recommended**

That the report be noted.

**234. Role of the Chief Finance Officer (CFO) In Public Service Organisations** (*Chief Finance Officer*)

The Chief Finance Officer presented a report informing Members of the CIPFA statement – ‘The Role of the CFO in Public Service Organisations’, and how the Council complied with this guidance.

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.

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. The Chief Finance Officer indicated that Appendix A to the report detailed how the Council ensured that the requirements of the statement were met by setting out the arrangements within the authority against the Governance Requirements, Core CFO responsibilities and the Personal Skills and Professional Standards.

The Vice-Chair suggested that the report also be submitted to the first meeting of the Committee in the new Municipal Year for the information of any new members appointed to the Committee.

**Recommended**

That the Committee notes that the Chief Finance Officer has undertaken a detailed review of the CIPFA statement – ‘The Role of the CFO in Public Service Organisations’ and that Members were advised that the Council complies with those requirements as detailed in Appendix A to the report.

**235. Role of the Head of Internal Audit in Local Government** (*Chief Finance Officer*)

The Head of Audit and Governance presented a report informing Members of the CIPFA statement – “The Role of the Head of Internal Audit (HIA) in Local Government” and how the Council complied with the guidance.

The Statement sets out the five principles that defined the core activities

and behaviours that belong to the role of the HIA in local government and the organisational arrangements needed to support them. Successful implementation of each of the principles required the right ingredients in terms of:

- the organisation;
- the role; and
- the individual.

For each principle the Statement sets out the governance arrangements required within an authority to ensure that HIAs were able to operate effectively and perform their core duties. The Statement also set out the core responsibilities of the HIA. The Head of Audit and Governance indicated that Appendix A to the report detailed how the Council ensured that the requirements of the statement were met by setting out the arrangements within the authority against the Governance Requirements, Core HIA responsibilities and the Personal Skills and Professional Standards.

The Vice-Chair suggested that the report also be submitted to the first meeting of the Committee in the new Municipal Year for the information of any new members appointed to the Committee.

### **Recommended**

That the Committee notes that the Chief Finance Officer has undertaken a detailed review of the CIPFA statement – ‘The Role of the Head of Internal Audit in Local Government’ and that Members were advised that the Council complies with those requirements as detailed in Appendix A to the report.

## **236. Internal Audit Outcome Report 2013/14** (*Head of Audit and Governance*)

The Head of Audit and Governance submitted a report informing the Committee of the outcomes of audit work covering the period April 2013 to March 2014. The Head of Audit and Governance commented that from the work undertaken during the year 2013/14, he had reached the opinion that reliance could be placed on the adequacy and effectiveness of the organisations control environment. Key systems were operating soundly and that there was 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. Members welcomed the report.

### **Recommended**

That the report be noted.



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

The Chief Finance Officer informing 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. In order to assess whether the system of internal audit had been effective, the definition of effective for the purpose of the review was the satisfactory operation of the framework of assurance that was available to the council in identifying and mitigating the risks it faced in pursuit of its objectives. The review would be an ongoing process that would 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.

The role played by the Audit and Governance Committee was 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.

The Chief Finance Officer highlighted some of the additional risks the Council had faced over the past year, such as the localisation of council tax benefit and the localisation of business rates which had placed additional risks and budgetary pressures on the authority.

**Recommended**

That the report be noted.

**238. Annual Governance Statement 2013/14** (*Chief Finance Officer*)

The Head of Audit and Governance presented a report informing 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. The detailed Annual Governance Statement was attached as an appendix to the report and the Head of Audit and Governance highlighted that the report also responded to the questions posed within the Better Governance Forum Briefing.

Members welcomed the report and in particular the assurance that the authority was following all the appropriate policies and procedures. Members also indicated that the Chief Finance Officer should inform staff of their thanks for the way that they had managed the implementation of localisation of council tax benefits and the Welfare Reform Act during what was an extremely stressful time for claimants and officers. The Chief Finance Officer thanked Members for the comments and indicated that he would share them with his staff.

**Recommended**

That the Annual Governance Statement 2013/14 as submitted be approved.

**239. Letter to Those Charged With Governance - Compliance with Laws and Regulations/Fraud** (*Chief Finance Officer*)

The Chief Finance Officer submitted a report informing Members of the proposal to reply to the letter received from the Director and Engagement Lead of our External Auditor, Mazars, to those charged with governance regarding compliance with laws and regulations and fraud. A copy of the draft letter from the Chair of the Committee was submitted as an appendix to the report.

**Recommended**

That the contents of the letter to Mazars outlining how the activities of the Committee comply with the requirements of International Standards for Auditing be approved. The letter was subsequently signed by the Chair.

**240. Standards Items**

No items.

**241. North East Ambulance Service Quality Account – 2013/14** (*Scrutiny Manager*)

Mark Cotton, Assistant Director of Communications, North East Ambulance Service (NEAS) NHS Foundation Trust was present at the meeting and gave a presentation to the Committee outlining the Trust's Quality Report Priorities for 2014/15. The Trust's performance against the nationally set mandatory indicators was highlighted which showed that the Trust exceeded all the national targets. The priorities from 2013/14 were detailed with the performance of the Trust against each set out for the Committee's information.

One issue that was highlighted by the Assistant Director of Communications was that following the care Quality Commission's inspection, the report from which was produced last month, there had been the reported issue with not all frontline ambulance staff having had a Disclosure and Barring Service (DBS) check (previously CRB checks). All 1100 staff had now undertaken such a check and the Trust's governance procedures were being examined to ensure that they were fully compliant with expectations.

The Assistant Director of Communications commented that staff morale within the Trust was low with workers feeling undervalued despite their commitment to working long shifts. The CQC report had identified an issue with shift extensions when staff could be called to attend a 999 call near the end of their normal 12 hour shift. Measures were being considered to

tackle this issue.

The Assistant Director of Communications concluded his presentation by outlining the proposed priorities for the Trust for 2014/15 and their performance measures. It was indicated that the Trust's consultation process was nearing its end with the Board expecting to sign off the Quality Report for submission to Monitor by the end of the month.

The Chair thanked the Assistant Director of Communications for his presentation. The Chair considered that much of the information reflected the regional situation but in Hartlepool there were a number of examples of unacceptable delays. It had to be noted that once an ambulance crew was in attendance, there were no complaints in the service provided. The Chair commented that a member of NEAS staff had stated in the Coroner's Court that the service did not have the resources to respond to all 999 events.

The Assistant Director of Communications stated that the Trust was funded to provide the service it was obliged to provide to, at a minimum, meet the national targets. As had been indicated, the Trust was exceeding those targets. There was concern when the Trust was compared with other ambulance trusts around the country that its level of funding appeared to be some 15% below the national average. Nationally, the number of 999 calls had increased significantly and while the service was funded to meet those urgent 'red' calls, there would be occasions where non-urgent 'green' calls would have to wait.

Members acknowledged that they were always likely to hear the bad reports but questioned what procedures were in place within the Trust to deal with delays. The Assistant Director of Communications stated that there was no extra money in the system to increase provision at times of high demand. The issue was being discussed with the commissioning bodies. Ambulances were now becoming more like a mobile urgent treatment service and they were being staffed with the staff appropriately trained to provide that care. Ambulances used to provide patient transfers with a paramedic on board were an inappropriate use of the staffing resource. The Trust was looking at the full integration of its entire transport fleet to make the best use of its resources.

Members questioned the involvement of ambulance staff in hospital discharge procedures. There were some concerns regarding discharge procedures involving the elderly where there had been instances reported of elderly people being left in bed at home without their designated carer being informed they were back home. The Assistant Director of Communications considered that the Trust did have a duty of care to such patients it had returned home from hospital and he had many instances of where ambulance staff had acted above and beyond their duty in caring for such patients. However, such services were open to competition. Several Trust areas had lost these services to the private or voluntary sector. The Trust was aware this was an area in which they needed to be more competitive. There was, however, no set standard of what service was to

be provided but it was about simple patient care.

Members questioned the well reported issue of the failure for all staff to have the appropriate Disclosure and Barring Service (DBS) checks and asked if any issues had been highlighted from the checks now that they had all been completed. The Assistant Director of Communications indicated that while there was no specific requirement beyond the initial check, the Trust had set a standard to undertake the checks every three years but then didn't complete those checks. All checks had now been completed and 53 raised issues, 22 of which the Trust had not previously been aware of. Some of these issues dated back to 2002 but the Trust had taken a cautious approach and withdrawn those staff from front line duties or paired them with 'clear' staff. All but three had been risked assessed and two of those were already on long-term sickness absence. On the whole the issues raised through the checks were minor offences with most being from quite some time ago.

The Chair thanked the Assistant Director of Communications for a very full response to the Committee's concerns. It had been inferred that there were no cuts in service yet there was reference to NEAS being underfunded. The service did not have a very good record in Hartlepool and it was a concern if that was due to underfunding. Members queried how many ambulances were on call at any given time for Hartlepool. The Assistant Director of Communications stated that he could not give a specific number at the meeting but would communicate that with the Committee after the meeting. When the review of A&E services was undertaken last year, the number of ambulances in the Hartlepool area was increased but it would not necessarily always be a 'Hartlepool' ambulance that would attend a call; much depended on the other calls being answered. Ambulances were moved around the region as was required. There were 100 ambulances servicing the region in total.

The Vice-Chair commented that there had been a previous report to the Committee outlining the numbers of ambulances and their locations and that should be re-circulated to Members. The Chair thanked the Assistant Director of Communications for his presentation and frank responses to the Committee's questions.

### **Recommended**

That the report and discussion be noted.

## **242. Tees, Esk and Wear Valleys NHS Foundation Trust Quality Account** (*Scrutiny Manager*)

Sharon Pickering, Director of Planning and Performance, Tees, Esk and Wear Valleys NHS Foundation Trust (TEWV) was present at the meeting and briefly outlined the Trust's Quality Account for 2014/15. Members questioned if there had been any focus on crisis and respite beds in light of the recent service changes in Hartlepool. The Director of Planning and Performance stated that one of the quality items had been around the crisis

service. The feedback from the review was that the services were operating well. Work was still ongoing in relation to the crisis beds and Section 136 suite in Hartlepool and while some data had been collected it was not yet felt that there was sufficient to make a solid decision.

One issue raised within the Quality Account was the numbers of children being admitted to adult beds within the service. There were children's in-patient beds at the West Lane facility in Middlesbrough. Nationally there was a shortage of children's beds with a national target that no children should be admitted to an adult bed unless there was clinical need. There had been a number of such admission but the Director of Planning and Performance wished to assure the Committee that when such admission had been made, they had all been thoroughly checked and all were children over the age of 16 and the Trust would never admit a child younger than this to an adult bed.

The Chair thanked the Director of Planning and Performance for her comments.

### **Recommended**

That the report and the discussion be noted.

## **243. Investigation into Chronic Obstructive Pulmonary Disease – Draft Final Report** (*Chair of the Audit and Governance Committee*)

The Chair presented the draft final report of the Committee's investigation into Chronic Obstructive Pulmonary Disease (COPD). The Chair commented that Members had become much more aware of the illness through the investigation and he thanked all those that had been involved in the investigation, particularly those suffering with COPD whose insight had been invaluable. COPD patients concerns had been highlighted throughout the investigation and their comments in relation to the single point of contact in particular were recorded in the investigation, its conclusions and recommendations. The Scrutiny Manager indicated that the final report and its recommendations would be forwarded onto the Health and Wellbeing Board for consideration and action. The Board's recommendations and actions would be monitored with updates reported to this Committee.

### **Recommended**

That the Audit and Governance Committee having taken evidence from a wide variety of sources to assist in the formulation of a balanced range of recommendations. The Forum's key recommendations to the Health and Wellbeing Board are as outlined below:-

- (a) That the Health and Wellbeing Board develop a strategic approach to COPD to ensure that inequality is not worsened by:-
  - (j) monitoring the review of the single point of access to establish

whether the changes have had a positive impact on COPD patients and their families

- (ii) ensuring that any changes to service provision are appropriately evaluated to provide assurance that these changes are effective from an evidence and cost perspective
- (b) That the Health and Wellbeing Board explores ways to promote COPD support programmes, such as the pulmonary rehabilitation programme, to encourage people to attend;
- (c) That the Health and Wellbeing Board, through an integrated and co-ordinated approach, work in partnership with relevant organisations and groups to promote a consistent message on COPD through the use of a single questionnaire;
- (d) That the Health and Wellbeing Board raises community awareness of COPD by placing the COPD questionnaire in community and health venues across Hartlepool to find those people with undiagnosed COPD;
- (e) That the Health and Wellbeing Board explores the development of a targeted COPD awareness campaign for young people to raise awareness of the long term implications of smoking;
- (f) That the Health and Wellbeing Board explores whether the number of COPD screenings taking place at various GP surgeries across Hartlepool can be publicised, as it would be valuable for the community to be aware of the variations in practices in order to aid patient choice and help to alleviate variations across GP surgeries.

## **244. Investigation into Re-offending – Draft Final Report** (Chair of the Audit and Governance Committee)

The Chair presented the draft final from the Committee's investigation into Re-offending. The Chair commented that it was essential that reoffending was tackled as the costs of prevention were significantly lower than the costs to society of not doing anything. The Chair highlighted the visit to Holme House Prison and the feedback gained from prisoners and he commended the Members that had undertaken that visit. The Chair commended the recommendations to the Committee and indicated that tackling reoffenders must not be seen in isolation but as helping them, their family and society as a whole. For every crime there was also always a victim whether that was an individual or a large superstore chain.

Members commented that one thing that had come through the investigation was the commitment and enthusiasm of the staff in providing services to offenders. The troubled families approach, despite the many people who criticised it, was reaping big rewards and very cost effective.

### **Recommended**

Following the investigation into Re-offending, the Committee recommended that:-

#### Operational Issues

- a) The extension of the triage service to include adults be explored.
- b) The Community Payback scheme be supported, and in taking it forward additional training be provided for staff to equip them to effectively interact with ex-offenders in a work environment.
- c) In recognition of problems experienced by ex-offenders released on Friday's regarding the need to access services and benefits provided by different agencies, the introduction of a 'one-stop shop' approach be explored to bring services and benefits together directly to offenders on their release.
- d) In line with the priorities identified by the Local Offender Housing Needs Group, the establishment of a Housing Liaison post, similar to that in place in Sunderland, be explored.
- e) That the potential for the Council to be involved in schemes similar to the 'Change for Change' scheme operated at Dearbolt Prison, leading by example in encouraging the provision of employment / apprentice opportunities for ex-offenders, be explored.
- f) The Mental Health Criminal Justice Liaison and Diversion Service be developed in Hartlepool and options explored for the joint commissioning of the service in the future.

#### Contributions to the Reducing Re-offending Strategy

- g) The establishment of a local Reducing Re-offending Strategy is supported and in progressing its development, consideration be given to:-
  - (i) The continued development and delivery of "holistic" / offender centric plans and services to meet the complex mix of needs/issues experienced by re-offenders, and robust partnership working,.
  - (ii) The adoption of the Team Around/IOM principles as a template for the provision of holistic / offender centric re-offending prevention services.
  - (iii) The role of restorative and other alternative interventions in the offending punishment process and s part of this the importance of sanctions that are acted upon where required.

- (iv) The prevention of duplication in service deliver, and loss of the positive outcomes already achieved, following the implementation of the Reform to improve the delivery of re-offending service are welcomed, however, changes to the delivery of probation services, being implemented through the Governments Transformation of Rehabilitation Strategy, may potentially have a detrimental impact on service delivery in terms of duplication of activities, effectiveness and consistency of provision.
- (v) The development of drug, housing and employment services as a priority for the future to meet the criminogenic needs of offenders in Hartlepool.
- (vi) The importance of addressing unemployment and poor educational attainment in disadvantaged areas, to raise aspirations and challenge the cycle of offender behaviour across generations.
- (vii) The development of improved partnership working around housing, with checks in place to ensure that there is no stigma applied to offenders in the allocation of housing.
- (viii) Improvement in the provision of services in relation to:
  - Housing advice starting earlier than two weeks before the release date for prisoner.
  - The provision of greater flexibility and the ability for housing services to respond more appropriately to those offenders who may wish to avoid returning to the community where their past offending had been centred.
- (ix) Pressures placed on the community through the welfare reforms and their potential impact on the issues and factors that influence/ effect re-offending.
- (x) The importance of family relationships to offenders and the potentially negative impact of prison placements outside the area on the maintenance of these relationships.

## **245. Consultation on how the Care Quality Commission Regulate, Inspect and Rate Services** (*Scrutiny Manager*)

The Scrutiny Support Officer reported that on the 9 April 2014 the CQC launched an eight week consultation to find out what people think about how they were planning to change the way in which they regulate, inspect and rate care services including the things they look at on an inspection, how they judge what 'good' care looks like, and how they can use



information better to help the CQC to decide when and where to inspect.

The plans cover a range of services including hospitals, GPs and Adult Social Care and the CQC were consulting using provider handbooks which covered:-

- 1) NHS Acute Hospital Services
- 2) Specialist Health Services
- 3) Community Health Services
- 4) NHS GP Practices and GP out of hours services
- 5) Equality and Human Rights.

These were available from the Scrutiny Team and also via the CQC website.

The Vice-Chair commented that having worked in health care the one thing that consistently came through was the continual change to the inspection regime. The CQC itself had changed several times in the last five years. There needed to be a clear and easily accessible complaints system and the CQC needed to communicate its inspection reports better to the public. It would be helpful to the public if the inspection reports for elderly residential care for instance included some sort of traffic light system for example, summarising the inspection to make it easier to assess homes for their elderly relatives.

**Recommended**

That the report be noted.

**246. Minutes of the recent meeting of the Health And Wellbeing Board**

The minutes of the meeting of the Health and Wellbeing Board held on 26 March 2014 were submitted for the Committee's information.

**Recommended**

That the minutes be received.

**247. Minutes of the recent meeting of the Finance and Policy Committee Relating to Public Health** (*Scrutiny Manager*)

The Scrutiny Manager submitted an extract from the minutes of the Finance and Policy Committee minutes of 25 April 2014 relating to School Nursing Services and Defibrillation Units.

**Recommended**

That the extract be received.

**248. Minutes of recent meeting of Tees Valley Health Scrutiny Joint Committee**

No items.

**249. Minutes of recent meeting of Safer Hartlepool Partnership**

The minutes of the meeting of the Safer Hartlepool Partnership held on 21 March 2014 were submitted for the Committee's information.

**Recommended**

That the minutes be received.

**250. Regional Health Scrutiny Update**

No items.

**251. Chairman's Closing Comments**

The Chairman thanked all the Members involved in the meetings of the Committee during his year as Chair. The Chair thanked officers for the support he had received during the year which had been very much appreciated.

The meeting concluded at 11.45 am.

CHAIR

# AUDIT AND GOVERNANCE COMMITTEE

11 July 2014



**Report of:** Chief Finance Officer

**Subject:** ROLE OF THE CHIEF FINANCE OFFICER  
AND HEAD OF INTERNAL AUDIT IN LOCAL  
GOVERNMENT

## 1. PURPOSE OF REPORT

- 1.1 To inform Members of the content of CIPFA's statement on The Role of the Chief Finance Officer and The Role of the Head of Internal Audit in Local Government, and to demonstrate how the Council complies with this guidance.

## 2. BACKGROUND

- 2.1 Both statements were reported to the Audit and Governance Committee at its meeting held on 15 May 2014. At that meeting the Vice Chair requested that the statements be brought to this meeting.

## 3. PROPOSALS

- 3.1 Both reports are attached for member's information as Appendix 1 and 2 to this report. It is proposed that the Audit and Governance Committee note the contents of both reports on how the Council complies with both statements.

## 4. RECOMMENDATION

- 4.1 It is recommended that Members
- i) Note the contents of Appendix 1 and 2, the Role of the CFO and Head of Internal Audit in Local Government.

## 5. REASON FOR RECOMMENDATIONS

- 5.1 To ensure that the Audit and Governance Committee meets its remit, it is important that it is kept up to date with current best practice in relation to the information it receives from officers.

**6. BACKGROUND PAPERS**

- 6.1 CIPFA statements:
- The Role of the Head of Internal Audit in Local Government.
  - Role of the CFO in Public Sector Organisations.

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# AUDIT AND GOVERNANCE COMMITTEE

15 May 2014



**Report of:** Chief Finance Officer

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

## 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. REASON FOR RECOMMENDATIONS**

- 5.1 To ensure that the Audit and Governance Committee meets its remit, it is important that it is kept up to date with best practice in relation to the information it receives from officers.

#### **6. BACKGROUND PAPERS**

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

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## Appendix A

**How the Five Principles Are Met**

<b>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>					
<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 Policy and Finance Committee and Corporate Management Team (CMT) buy-in in to Medium Term Financial Strategy and supporting strategies.	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 Team.	Contributing to the effective corporate management of the organisation, including strategy implementation, cross organisational issues, integrated business and resource planning, risk management and	See Above	Adopt a flexible leadership style, able to move through visioning to implementation and collaboration/consultation to challenge as appropriate.	See Above.



		performance management.			
If different organisational arrangements are adopted, explain the reasons publicly, together with how these deliver the same impact.	Not applicable - see Above	Supporting the effective governance of the organisation through development of – corporate governance arrangements, risk management and reporting framework; and – corporate decision making arrangements.	Responsible for the provision an adequate and effective Internal Audit service. Key role in formulating the Annual Governance Statement and Code of Corporate Governance.	Build robust relationships both internally and externally.	See Above. Regular meetings with Directors and other senior managers facilitate establishment of robust 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. Regular contact with all members including Leader, Policy Committee Chairs and Audit and Governance Committee.
Ensure that organisation's governance arrangements allow the CFO: – to bring influence to bear on all	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	Responsibility for Medium Term Financial Strategy (MTFS) and budgetary control processes matters and ensuring Members and Corporate Management Team	Support collective ownership of strategy, risks and delivery.	Member of CMT. Represented on Performance and Risk Management Group. Member of Annual Governance Statement Group.

material business decisions; and – direct access to the Chief Executive, other Leadership Team members, the Audit Committee and external audit.		delivery.	(CMT) buy-in in to Medium Term Financial Strategy and supporting strategies, such as Business Transformation Programme.		
Review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised.	Review of corporate financial management 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.	Ensuring the medium term financial strategy reflects joint planning with partners and other stakeholders.	Wide consultation undertaken with all relevant stakeholders.	Address and deal effectively with difficult situations.	Peer review carried out by Chief Executive. 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.

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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 the environment and stakeholder expectations and needs.	See Above.
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 standards integral to role. Commitment to Professional CPD and LMDP/Management Academy.

professional behaviour. Impartiality is a further fundamental requirement of those operating in the public services.	
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**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.

Governance requirements	HBC Arrangements	Core CFO responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
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, Policy and Finance Committee and Audit and Governance Committee 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	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	See Above.	Link financial strategy and overall strategy.	Responsibility for MTFS and budgetary control processes.

advance of decision making and used appropriately.		framework.			
Ensure that those making decisions are provided with information that is fit for the purpose – relevant, timely and giving clear explanations of financial issues and their implications.	See Above	Implementing financial management policies to underpin sustainable long-term financial health and reviewing performance against them.	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.
		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. 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	Budget Strategy and monitoring process, key decision advice in relation	Provide clear, authoritative and impartial professional advice and	Addressed in MTFS and associated presentation to Finance and Policy

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opportunities and risks are fully considered and decisions are aligned with the overall financial strategy.	to financial and governance matters.	objective financial analysis and interpretation of complex situations.	Committee 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.
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 ensure early involvement with innovative approaches to services and financial arrangements to ensure compliance with regulatory requirement and proposals are based on robust business case.	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	Budget Strategy and monitoring process, key decision advice in relation to financial and governance matters.	Operate with sensitivity in a political environment.	Ongoing development through LMDP and peer review/mentoring. Regular contact with members, TU's local

performance information and strategic objectives that identifies any necessary corrective decisions.	Corporate Plan aligned with financial PI's.		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.		

**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.

Governance requirements	HBC Arrangements	Core CFO responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
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 Finance and Policy Committee and CMT 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	Delegated Powers, FPRs and Standing Orders enshrined within Constitution. Audit and Governance Committee 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	Develop and sustain partnerships, and engage effectively in collaboration.	

resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.			effective. Influencing force behind LMDP.		
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. Audit and Governance Committee in line with legislative arrangements. Internal Audit Section adequately resourced.	<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 implications are signed off by the finance function.	Advisory role in terms of CMT and all key committee decisions in respect of financial matters.	Deploy effective facilitation and meeting skills.	
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 and Governance 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 and Governance Committee role and responsibility enshrined in Constitution. Regular training of Audit and Governance Committee members.	<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 instructions, operating manuals, and compliance with codes of practice to secure probity.	Direct line management responsibility for all audit matters, FPR's and Standing Orders.		
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.	Performance and 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	Direct line management responsibility for all audit matters, FPR's and

underpinned by clear and well documented internal controls.	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	Corporate Plan reviewed and monitored. 1 to 1 meetings with senior finance manager and	Promote effective communication within the finance department, across the broader	Finance Management Team meetings for internal communication. All finance staff briefing

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services provided are in line with the expectations and needs of its stakeholders.	regular performance appraisals.	organisation and with external stakeholders.	as and when appropriate. Presentations to external groups as appropriate. Article in Hartbeat.
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 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	Actively seek professional expertise where needed i.e.

advice not available within the finance function.	Treasury management, 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.

**Principle 5 – The CFO in a public service organisation must be professionally qualified and suitably experienced.**

Governance requirements	HBC Arrangements	Core CFO responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
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 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 21 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 non-financial areas affecting his role.



# **AUDIT AND GOVERNANCE COMMITTEE**

**15 May 2014**



**Report of:** Chief Finance Officer

**Subject:** ROLE OF THE HEAD OF INTERNAL AUDIT IN  
LOCAL GOVERNMENT

## **1. PURPOSE OF REPORT**

- 1.1 To inform Members of the CIPFA statement – “The Role of the Head of Internal Audit in Local Government”, and to demonstrate how the Council complies with this guidance.

## **2. BACKGROUND**

- 2.1 The Statement describes the role of the Head of Internal Audit (HIA) in local government. CIPFA believes the HIA occupies a critical position in a local authority, helping it to achieve its objectives by giving assurance on its internal control arrangements and playing a key role in promoting good corporate governance. Local authorities need to know that they have strong arrangements for controlling their resources and for delivering their objectives. CIPFA believes that HIA's have a unique role to play here. They are senior managers whose business is objectively assessing these arrangements and the risks that authorities face and giving appropriate assurances. HIA's must also provide leadership, promoting good governance and helping authorities to address future challenges.
- 2.2 HIA's need to review the whole system of control, both financial and non-financial, and focus on the areas where assurance is most needed. The HIA also has to give an annual opinion on the adequacy and effectiveness of the control environment; this is used by Chief Executives as a primary source of evidence for their annual governance statement.
- 2.3 HIA's must also be able to show that they can meet the needs of stakeholders such as Chief Executives and Audit Committees, adding value by helping to improve services whilst retaining their objectivity. They also need to work well with partners and other auditors. Authorities should see the Statement as best practice and use it to assess their HIA arrangements to drive up audit quality and governance arrangements.

### 3 THE KEY ROLE PLAYED BY THE HIA

- 3.1 Internal audit is one of the cornerstones of effective governance. The HIA is responsible for reviewing and reporting on the adequacy of the authority's control environment, including the arrangements for achieving value for money. Through the annual internal audit opinion and other reports the HIA gives assurance to the Leadership Team and others, and makes recommendations for improvement.
- 3.2 The HIA's role is a unique one, providing objective challenge and support and acting as a catalyst for positive change and continual improvement in governance in all its aspects. The role is particularly important when authorities are facing uncertain or challenging times. Fulfilling the role requires a range of personal qualities. The HIA has to win the support and trust of others, so that he/she is listened to, and the HIA's role as a critical friend means that sometimes difficult messages must be given and acted on. It is these expectations, combined with the professional, personal and leadership skills required, that have shaped the CIPFA Statement on the role of the HIA in Local Government.
- 3.3 **Primary audience**  
The primary audience for this Statement is those who rely on the HIA's assurances – the Leadership Team and the Audit Committee. CIPFA recommends that they should examine their own authority against this Statement to satisfy themselves that they have effective HIA arrangements in place.
- 3.4 **Local government context**  
CIPFA has drawn up a separate Statement for local government because of the statutory responsibility of specific post holders regarding internal audit and governance. In local government the 'Section 151' officer (the Chief Financial Officer or CFO) is a statutory post as is the Monitoring Officer (often the Head of Legal Services) and the Head of Paid Service (often the Chief Executive). The HIA needs to work well with these post holders and lines of responsibility need to be clear.
- 3.5 The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the HIA in local government 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.

For each principle the Statement sets out the governance arrangements required within an authority to ensure that HIAs are able

to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the HIA. Summaries of personal skills and professional standards then detail the leadership skills and technical expertise authorities can expect from their HIA. These include the requirements of CIPFA and the other professional bodies' codes of ethics and professional standards to which the HIA as a qualified professional is bound. The personal skills described have been aligned with the most appropriate principle, but in many cases support other principles as well.

### 3.6 **Demonstrating compliance**

The Statement supports CIPFA's work to strengthen governance, risk management and internal audit across public services. It is intended to allow the Leadership Team of a local authority to benchmark its existing arrangements against a defined framework.

- 3.7 CIPFA recommends that authorities use the Statement as the framework to assess their existing arrangements and that they should report publically on compliance to demonstrate their commitment to good practice. CIPFA also proposes that authorities should report publicly where their arrangements do not conform to the compliance framework in this Statement, explaining the reasons for this, and how they achieve the same impact. CIPFA will consider how to take this forward in the context of the CIPFA/Society of Local Authority Chief Executives (SOLACE) guidance on good governance.

## 4. **CIPFA STATEMENT ON THE ROLE OF THE HIA IN LOCAL GOVERNMENT**

**The Head of Internal Audit in a local authority plays a critical role in delivering the authority's strategic objectives by:**

1 – championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and

2 – giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

**To perform this role the Head of Internal Audit:**

3 – must be a senior manager with regular and open engagement across the authority, particularly with the Leadership Team and with the Audit Committee;

4 – must lead and direct an internal audit service that is resourced to be fit for purpose; and

5 – must be professionally qualified and suitably experienced.

## **5. PROCESS FOLLOWED**

- 5.1 The review is undertaken annually in line with best practice requirements. Appendix A of the report details how the Council ensures that the requirements of the statement are met. Details of the requirements of the statement are outlined along with how the arrangements in place at the council satisfy those requirements.

## **6. RECOMMENDATION**

- 6.1 It is recommended that Members
- i) Note that I have reviewed the CIPFA statement – “The Role of the Head of Internal Audit in Local Government” and can advise Members that the Council complies with these requirements as detailed in Appendix A.

## **7. REASON FOR RECOMMENDATIONS**

- 7.1 To ensure that the Audit Committee meets its remit, it is important that it is kept up to date with current best practice in relation to the information it receives from officers.

## **8. BACKGROUND PAPERS**

- 8.1 CIPFA statement – “The Role of the Head of Internal Audit in Local Government”.

## **9. CONTACT OFFICER**

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**How the Five Principles Are Met**

**Principle 1 – The HIA in a local authority plays a critical role in delivering the authority's strategic objectives by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.**

<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core HIA responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
Set out the HIA's role in good governance and how this fits with the role of others, in particular the CFO, the Monitoring Officer and the Head of Paid Service.	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual.</i>	Working with others (including the CFO, the Monitoring Officer and the Head of Paid Service) to promote the benefits of good governance throughout the organisation.	<i>Relationships with key officers detailed in agreed protocols i.e. Relationship between CFO and IA.</i>	Provide leadership by giving practical examples of good governance that will inspire others.	<i>HIA undertakes proactive role on relevant working parties and officer groups i.e. Performance and Risk Management Group.</i>
Ensure that the importance of good governance is stressed to all in the authority, through policies, procedures and training.	<i>Code of Corporate Governance agreed by the Audit and Governance Committee And adopted by Council. Job descriptions and Management Academy training programme cover governance requirements.</i>	Giving advice to the Leadership Team and others on the control arrangements and risks relating to proposed policies, programmes and projects.	<i>Regularly report to Audit and Governance Committee and Senior Management through CFO and CMT on all aspects of governance arrangements.</i>	Deploy effective facilitating and negotiating skills.	<i>HIA undergoes Continuous Professional Development (CPD) tailored to requirements of the role i.e. CIPFA Certificate in Investigatory Practices..</i>
Ensure that the HIA is consulted on all proposed major projects, programmes and policy initiatives.	<i>Protocols in place to ensure regular liaison with key officers and CMT.</i>	Promoting the highest standards of ethics and standards across the authority based on the principles of integrity, objectivity, competence	<i>HIA role as per CIPFA Code of Practice for Internal Audit in Local Government as enshrined in the Audit Manual.</i>	Build and demonstrate commitment to continuous improvement.	As above

**4.1**  
APPENDIX 2

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
		and confidentiality.			
Require staff to report suspected or detected fraud, corruption or impropriety to the HIA.	<i>Corporate Anti-Fraud and Corruption Strategy agreed by Audit and Governance Committee</i>	Demonstrating the benefits of good governance for effective public service delivery and how the HIA can help.	<i>HIA undertakes proactive role on relevant working parties and officer groups i.e. Performance and Risk Management Group.</i>	Demonstrate consultancy skills as appropriate – analytical, problem solving, influencing and communicating.	As above
		Offering consultancy advice where the HIA considers that it is appropriate, drawing up clear terms of reference for such assignments.	<i>Resource built into Audit Plan for advice and guidance to be provided, within strictly agreed scope, terms of reference and outcomes.</i>		

**Principle 2 – The HIA in a local authority plays a critical role in delivering the authority's strategic objectives by giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.**

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Set out the responsibilities of the HIA, which should not include the management of operational areas	<i>Job Description in place. Audit Strategy and Charter sets out terms of reference as agreed by Audit and Governance Committee.</i>	Giving assurance on the control environment. This includes risk and information management and internal controls across all systems.	<i>Annual opinion provided to Audit and Governance Committee in line with Public Sector Internal Audit Standards, covering all aspects of governance arrangements.</i>	Give clear, professional and objective advice.	<i>Reporting arrangements agreed with management based on a shared understanding of requirements.</i>
Ensure that internal audit is independent of external audit.	<i>Internal and External Audit protocol in place.</i>	Reviewing the adequacy of key corporate arrangements including e.g. risk strategy, risk register, anti fraud and corruption strategy, corporate plan.	<i>All aspects of governance arrangements covered in the annual Internal Audit Plan as agreed by management and the Audit and Governance Committee.</i>	Report on what is found, without fear or favour.	<i>Reporting arrangements enshrined within the Audit Strategy and Charter as reflected in the Audit Manual in line with best practice.</i>

## 4.1

### APPENDIX 2

<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core HIA responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
Where the HIA does have operational responsibilities the HIA's line manager and the Audit Committee should specifically approve the IA strategy for these and associated plans and reports and ensure the work is independently managed.	<i>Not Applicable.</i>	Producing evidence based annual internal audit opinion on the authority's control environment.	<i>Annual opinion report HIA is produced and presented to the Audit and Governance Committee by the HIA.</i>	Demonstrate integrity to staff and others in the authority.	<i>HIA undergoes CPD tailored to requirements of the role i.e. CIPFA Certificate in Investigatory Practices.</i>
Establish clear lines of responsibility for those with an interest in governance (e.g. Head of Paid Service, Monitoring Officer, Head of Paid Service, Audit Committee, Members). This covers responsibilities for drawing up and reviewing key corporate strategies, statements and policies.	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual. Code of Corporate Governance outlines responsibilities with regard to governance arrangements.</i>	Working closely with others to ensure that sufficient and relevant evidence is used. Where relying on others, clarifying the degree and basis for the reliance.	<i>Reporting arrangements compliant with Public Sector Internal Audit Standards.</i>	Exercise sound judgement in identifying weaknesses in the authority's control environment and a balanced view on how significant these are.	<i>Experience gained over 21 year Internal Audit career. Professional guidance followed in relation to risk measurement.</i>
Establish clear lines of reporting to the Leadership Team and to the Audit	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by</i>	Reviewing significant partnership arrangements and major services provided by	<i>Internal Audit plan encompasses partnership arrangements and highlighted as key area of</i>	Work well with others with specific responsibilities for internal control, risk management and	<i>Relationships with key officers detailed in agreed protocols i.e. Relationship between</i>

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APPENDIX 2

<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core HIA responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
Committee where the HIA has significant concerns.	<i>members and reflected in the Audit Manual. Rights of access to key members and officers detailed.</i>	third parties and the controls in place to promote and protect the authority's interests. Assessing whether lines of responsibility and assurance are clear.	<i>concern of Audit and Governance Committee.</i>	governance including the Head of Paid Service, the Monitoring Officer, the CFO, Audit Committee and Members.	<i>CFO and IA. Relationships built up over a number of years.</i>
Agree the terms of reference for internal audit with the HIA, the Audit Committee and the CFO, as well as with the Leadership Team.	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual.</i>	Liaising closely with the external auditor to share knowledge and to use audit resources most effectively.	<i>Protocol in place for joint working with External Audit.</i>	Be concerned for action - influencing the Leadership Team, Audit Committee and others to ensure that the HIA's recommendations are implemented.	<i>As above</i>
Set out the basis on which the HIA can give assurances to other organisations and the basis on which the HIA can place reliance on assurances from others.	<i>Audit Manual sets out roles and levels of assurances.</i>	Producing an internal audit strategy that fits with and supports the authority's objectives.	<i>Strategy produced and agreed by management and Audit and Governance Committee.</i>	Be a role model, dynamic, determined, positive, robust and with resilient leadership, able to inspire confidence and respect and exemplify high standards of conduct.	<i>Experience gained over 21 year Internal Audit career. HIA CPD tailored to requirements of the role.</i>
Ensure that comprehensive governance arrangements are in place, with supporting documents covering e.g. risk management, corporate planning, anti fraud and corruption and whistle blowing.	<i>Production of Annual Governance Statement in line with best practice covering all aspects of the governance framework and supporting documentation in place.</i>	Reviewing the authority's risk maturity (including the authority's own assessment) and reflecting this in the strategy.	<i>Key member of Performance and Risk Management Group reviewing risk strategy, maturity and tolerance.</i>		



## 4.1

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<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core HIA responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
Ensure that the annual internal audit opinion and report are issued in the name of the HIA.	<i>Reported independently by the HIA to the Audit and Governance Committee.</i>	Consulting stakeholders, including senior managers and Members on the internal audit strategy.	<i>Internal Audit Strategy agreed by senior management before approval sought from the Audit and Governance Committee.</i>		
Include awareness of governance in the competencies required by members of the Leadership Team.	<i>Job descriptions and CIPFA's "Excellent Auditor Framework" covering governance requirements</i>	Setting out how the HIA plans to rely on others for assurance on the authority's controls and risks and taking account of any limitations in assurance given by others.	<i>Internal Audit Strategy and Charter in place with Public Sector Internal Audit Standards detailing day to day arrangements.</i>		
Set out the framework of assurance that supports the annual governance statement and identify internal audit's role within it. The HIA should not be responsible for preparing the report.	<i>Included in the Annual Governance Statement which is produced by senior management.</i>	Liaising with external inspectors and review agencies where appropriate when drawing up the internal audit strategy.	<i>The process followed is recorded in the Audit Manual.</i>		
Ensure that the internal audit strategy is approved by the Audit Committee and endorsed by the Leadership Team.	<i>Internal Audit Strategy agreed by senior management before approval by the Audit and Governance Committee.</i>	Liaising with the external audit on the internal audit strategy, but not being driven by external audit's own priorities.	<i>Protocol in place for joint working with External Audit.</i>		

**Principle 3 – The HIA in a local authority must be a senior manager with regular and open engagement across the authority,**

**particularly with the Leadership Team and with the Audit Committee.**

<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core HIA responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
Designate a named individual as HIA in line with the principles in this Statement. The individual could be someone from another organisation where internal audit is contracted out or shared. Where this is the case then the roles of the HIA and the client manager must be clearly set out in the contract or agreement.	<i>HIA designated individual employed within the Authority.</i>	Escalating any concerns through the line manager, CFO, Monitoring Officer, Head of Paid Service, Audit Committee, Leadership Team and external auditor as appropriate.	<i>Protocols in place and enshrined in Internal Audit Charter and Strategy for escalation of concerns.</i>	Network effectively to raise the profile and status of internal audit.	<i>Relationships built up over a number of years backed up by regular meetings, 1-2-1s with key officers.</i>
Ensure that where the HIA is an employee that they are sufficiently senior and independent within the authority's structure to allow them to carry out their role effectively and be able to provide credibly constructive challenge to the Management Team.	<i>HIA senior manager within the Finance function reporting directly to the CFO with access to key officers as detailed in the Internal Audit Strategy Charter and Councils Constitution.</i>	Supporting the Audit Committee in reviewing its own effectiveness and advising the Chair and line manager of any suggested improvements.	<i>Audit and Governance Committee provided with advice and guidance to enable it to fulfil its function.</i>	Adopt a flexible style, being able to collaborate and advise but also able to challenge as appropriate.	<i>Experience gained over 21 year Internal Audit career. HIA undergoes CPD tailored to requirements of the role. Regular 1-2-1s with CFO in order to support development in all areas.</i>
Ensure that where	<i>HIA senior manager</i>	Consulting stakeholders,	<i>Internal Audit Strategy</i>	Deploy effective	<i>As above</i>

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<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core HIA responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
the HIA is an employee the HIA is line managed by a member of the Management Team. Where the HIA is not an employee then the reporting line must be clearly set out in the contract or agreement with the internal audit supplier.	<i>within the Finance function reporting directly to the CFO.</i>	including senior managers and Members on the internal audit strategy.	<i>agreed by senior management before approval by the Audit and Governance Committee.</i>	facilitation and meeting skills.	
Establish an Audit Committee in line with guidance and good practice.	<i>Audit and Governance Committee established in line with CIPFA guidelines.</i>			Build and demonstrate commitment to continuous improvement and innovative, but risk-aware, solutions.	<i>As above</i>
Set out the HIA's relationship with the Audit Committee and its Chair.	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual.</i>			Place stewardship and probity as the bedrock for management of the organisation's finances.	<i>Leads by example in approach with Directors and other senior managers that Internal Audit function role is to help achieve organisations objectives, whilst ensuring compliance with best practice and legislative requirements.</i>
Ensure that the authority's governance arrangements allow the HIA: <input type="checkbox"/> to bring influence to bear on material	<i>Role of HIA enshrined in the Constitution, Audit Charter and Audit Strategy as agreed by members and reflected in the Audit Manual. Rights of access to key members</i>			Build productive relationships both internally and externally.	<i>Relationships built up over a number of years backed up by regular meetings, 1-2-1s with key officers.</i>

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<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core HIA responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
decisions reflecting governance <input type="checkbox"/> direct access to the Chief Executive, other Leadership Team members, the Audit Committee and external audit <input type="checkbox"/> to attend meetings of the Leadership Team and Management Team where the HIA considers this to be appropriate.	<i>and officers detailed.</i>				
Set out unfettered rights of access for internal audit to all papers and all people in the organisation, as well as appropriate access in (significant) partner organisations.	<i>Council's Constitution details access arrangements for Internal Audit, reflected in the Audit Manual.</i>			Work effectively with the Leadership Team and Audit Committee with political awareness and sensitivity.	<i>Experience gained over 21 year Internal Audit career. HIA undergoes CPD tailored to requirements of the role. Regular 1-2-1s with CFO in order to support development in all areas.</i>
Set out the HIA's responsibilities relating to partners including joint ventures and outsourced and shared services.	<i>Major ventures undertaken detail rights of access to Internal Audit for governance opinion purposes.</i>			Be seen to be objective and independent but also pragmatic where appropriate.	<i>As above</i>

**Principle 4 – The HIA in a local authority must lead and direct an internal audit service that is resourced to be fit for purpose.**

<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core HIA Responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
Provide the HIA with the resources, expertise and systems necessary to perform their role effectively.	<i>Internal Audit Strategy and Charter details the resource implications and responsibilities for ensuring they are met.</i>	Leading and directing the internal audit service so that it makes a full contribution to and meets the needs of the authority and external stakeholders.	<i>Approval and consultation process for the Internal Audit plan ensures that it adds value to the organisation. HIA responsible for facilitating this process.</i>	Demonstrate leadership and be an ambassador for internal audit.	<i>HIA undergoes CPD tailored to requirements of the role i.e. CIPFA Certificate in Investigatory Practices.</i>
Ensure that the Audit Committee sets out a performance framework for the HIA and their team and assesses performance and takes action as appropriate.	<i>Internal Audit report annually to the Audit Committee on a wide range of performance measures.</i>	Determining the resources, expertise, qualifications and systems for the internal audit service that are required to meet internal audit's objectives; using a full range of resourcing options including consultancy, working with others and buying in where appropriate.	<i>Internal Audit Strategy and Charter details the resource implications and responsibilities for ensuring they are met.</i>	Create, communicate and implement a vision for the internal audit service.	<i>HIA has a clear understanding of these issues and is committed to continuous improvements. These issues addressed through performance appraisal.</i>
Ensure that there is a regular external review of internal audit quality.	<i>Constant review by CFO via performance monitoring and appraisal system. Currently considering how to comply with Public Sector Internal Audit Standards regarding four yearly reviews.</i>	Informing the CFO, the Leadership Team and Audit Committee if there are insufficient resources to carry out a satisfactory level of internal audit, and the consequence for the level of assurance that may be given.	<i>Internal Audit Strategy and Charter details the resource implications and responsibilities for ensuring they are met and reporting arrangements if shortfalls are anticipated.</i>	Create a customer focused internal audit service	<i>HIA has a clear understanding of these issues and is committed to continuous improvements.</i>
Ensure that where the HIA is from another organisation	<i>Not Applicable.</i>	Implementing robust processes for recruitment of internal	<i>Corporate recruitment process followed for any appointments made.</i>	Establish an open culture, built on effective coaching and a constructive	<i>HIA undergoes CPD tailored to requirements of the role.</i>

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<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core HIA Responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
that they do not also provide the external audit service.		audit staff and/or the procurement of internal audit services from external suppliers.		approach.	
		Ensuring that the professional and personal training needs for staff are assessed and seeing that these needs are met.	<i>Professional guidance implemented in respect of training needs and development issues are addressed.</i>	Promote effective communication within internal audit, across the broader organisation and with external stakeholders.	<i>HIA has a clear understanding of these issues and is committed to continuous improvements.</i>
		Developing succession plans and helping staff with their career progression.	<i>As above</i>	Set and monitor meaningful performance objectives for staff.	<i>CIPFA "Excellent Auditor Framework" implemented within section for all training and development needs.</i>
		Establishing a quality assurance and improvement programme that includes: ensuring that professional internal audit standards are complied with; reviewing the performance of internal audit and ensuring that the service provided is in line with the expectations and needs of its stakeholders; providing an efficient and effective internal audit service – demonstrating this by agreeing key performance indicators	<i>CIPFA guidance in relation to continuous improvement followed.</i>	Manage and coach staff effectively	<i>As above.</i>

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<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core HIA Responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
		and targets with the line manager and Audit Committee; annually reporting achievements against targets; putting in place adequate ongoing monitoring and periodic review of internal audit work and supervision and review of files, to ensure that audit plans, work and reports are evidence based and of good quality; ensuring that any internal auditors declare any interests that they have; seeking continuous improvement in the internal audit service.			
		Keeping up to date with developments in governance, risk management, control and internal auditing, including networking with other HIA's and learning from them, implementing improvements where appropriate.	<i>Member of Better Governance Forum, Technical Information Service, CIPFA NE IA Group, North East Fraud Forum in order to ensure up to date with current best practice and ideas.</i>	Comply with professional standards and ethics	<i>Professional standards and ethics outlined within Audit Manual and also bound Public Sector Internal Audit Standards.</i>
		Demonstrating how internal audit adds value to the authority.	<i>Annual report to the Audit and Governance Committee.</i>	Require the highest standards of ethics and standards within internal audit based on the	<i>As above as well as procedures for the identification and recording of conflicts of</i>

# 4.1 APPENDIX 2

Governance requirements	HBC Arrangements	Core HIA Responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
				principles of integrity, objectivity, competence and confidentiality. In particular, ensuring that internal auditors identify and report any conflicts of interest and act appropriately	<i>interest are detailed in the Audit Manual.</i>
				Ensure, when necessary, that outside expertise is called upon for specialist advice not available within the internal audit service.	<i>Arrangements in place to ensure specialist services can be procured as and when necessary.</i>
				Promote discussion on current governance and professional issues and their implications.	<i>HIA mentors audit staff undertaking regular team meetings to facilitate discussion. Role on various working groups ensures topics are discussed and disseminated.</i>

## Principle 5 – The HIA in a local authority must be professionally qualified and suitably experienced

Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
Appoint a professionally qualified HIA whose core responsibilities include those set out under the other principles in this Statement and ensure that these	<i>Job description and recruitment process ensure only appropriately qualified and experienced individuals considered.</i>			Be a full member of an appropriate professional body and have an active programme for personal professional development.	<i>HIA qualified with CIPFA in 1997 and actively participates in mandatory CPD scheme</i>



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Governance requirements	HBC Arrangements	Core HIA responsibilities	HBC Arrangements	Personal skills and professional standards	HBC Arrangements
are properly understood throughout the organisation.					
Ensure that the HIA has the skills, knowledge, experience and resources to perform effectively in his or her role.	<i>As above, monitoring and mentoring role undertaken by CFO in his role as Section 151 officer ensures compliance.</i>			Adhere to professional internal auditing (and where appropriate accounting and auditing) standards.	<i>HIA member of CIPFA for 17 years and is bound by all relevant professional and personal requirements.</i>
				Demonstrate a range of skills including communicating, managing and influencing, as well as an understanding of IT and consultancy.	<i>HIA undergoes CPD tailored to requirements of the role as well as mentoring by CFO.</i>
				Have prior experience of working in internal audit.	<i>HIA has held a variety of position within Local Government, before appointment as HIA in 2008, including Group Auditor at HBC and Head of Audit at a district council.</i>
				Understand and have experience of strategic objective setting and management.	<i>HIA undergoes CPD tailored to requirements of the role as well as mentoring by CFO.</i>
				Understand the internal audit and regulatory environment applicable to public service organisations.	<i>HIA has 17 years post qualification experience and sound understanding of public service governance arrangements and its regulatory environment.</i>

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<b>Governance requirements</b>	<b>HBC Arrangements</b>	<b>Core HIA responsibilities</b>	<b>HBC Arrangements</b>	<b>Personal skills and professional standards</b>	<b>HBC Arrangements</b>
				Demonstrate a comprehensive understanding of governance, risk management and internal control.	<i>Regularly advises management on these issues and is a key member of the Performance and risk Management Group.</i>
				Undertake appropriate development or obtain relevant experience as appropriate in order to demonstrate an understanding of the full range of the authority's activities and processes.	<i>HIA undergoes CPD tailored to requirements of the role as well as mentoring by CFO.</i>

# AUDIT AND GOVERNANCE COMMITTEE

11 July 2014



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

**Subject:** INTERNAL AUDIT PLAN 2014/15 UPDATE

## 1. PURPOSE OF REPORT

- 1.1 To inform Members of the progress made to date completing the internal audit plan for 2014/15.

## 2. BACKGROUND

- 2.1 In order to ensure that the Audit Committee meets its remit, it is important that it is kept up to date with the ongoing progress of the Internal Audit section in completing its plan. Regular updates allow the members of the Committee to form an opinion on the controls in operation within the Council. This in turn allows members of the committee to fully review the Annual Governance Statement, which will be presented to a future meeting of the Committee, and after review, will form part of the statement of accounts of the Council.

## 3. PROPOSALS

- 3.1 That members consider the issues within the report in relation to their role in respect of the Councils governance arrangements. Table 1 of the report detailed below, sets out the school audits that have been completed and the recommendations made.

Table 1

Audit	Objectives	Recommendations	Agreed
West Park Primary	Ensure school finance and governance arrangements are in line with best practice.	- The bank signatures should be amended as soon as possible. - Guidance produced by the Schools information Governance Group should be used to develop Information Governance Policies for the school and also ensure that the school is meeting all its legal responsibilities in relation to the data it retains. The school website should be reviewed to ensure that it contains the required information in	Y  Y

Audit	Objectives	Recommendations	Agreed
		respect of Freedom of Information, Data Protection and Fair Processing. - Orders should be used for all goods and services with a few limited exceptions. These orders should then be committed on the school's financial system to prevent overspending.	Y

3.2 In terms of reporting internally at HBC, Internal Audit produces a draft report which includes a list of risks currently faced by the client in the area audited. It is the responsibility of the client to complete an action plan that details the actions proposed to mitigate those risks identified. Once the action plan has been provided to Internal Audit, it is the responsibility of the client to provide Internal Audit with evidence that any action has been implemented by an agreed date. The level of outstanding risk in each area audited is then reported to the Audit and Governance Committee.

3.3 The benefits of this reporting arrangement are that ownership of both the internal audit report and any resulting actions lie with the client. This reflects the fact that it is the responsibility of management to ensure adequate procedures are in place to manage risk within their areas of operation, making managers more risk aware in the performance of their duties. Greater assurance is gained that actions necessary to mitigate risk are implemented and less time is spent by both Internal Audit and management in ensuring audit reports are agreed. A greater breadth of assurance is given to management with the same Internal Audit resource and the approach to risk assessment mirrors the corporate approach to risk classification as recorded in covalent. Internal Audit can also demonstrate the benefit of the work it carries out in terms of the reduction of the risk faced by the Council.

3.4 Table 2 below summarises the assurance placed on those audits completed with more detail regarding each audit and the risks identified and action plans agreed provided in Appendix A.

Table 2

Audit	Assurance Level
Payroll	Reasonable
Creditors	Reasonable
Budgetary Control	Reasonable
Highways Repairs and Maintenance	Reasonable
Council Tax	Reasonable
National Non Domestic Rates	Reasonable
Cash/Bank	Reasonable
Loans And Investments	Reasonable
Troubled Families	Reasonable
Section 17 Payments	No Assurance
Nursery Provision	Reasonable
Information Data Management	Limited

3.5 As well as completing the afore mentioned audits, Internal Audit staff have been involved with the following working groups:

- Information Governance Group.
- Performance and Risk Management Group.

3.6 Table 3 below details the audits that were ongoing at the time of compiling the report.

Table 3

<b>Audit</b>	<b>Objectives</b>
Manor Residents Association/Who Cares North East	To give an opinion on the adequacy of the arrangements in place to manage and expend funding received from HBC.
Continuous Audit	Ongoing testing of fundamental systems.
I.T Network Controls	Ensure a network strategy exists and standards and policies are in place to support its delivery. Connections and access to the network are approved and secure. Unauthorised access to data transmitted over the network is minimised. Management commission independent penetration testing. The risk and impacts of network failure are minimised. An information security policy has been established and communicated to all staff. Where applicable the Public Service Network self assessment form has been used to identify the controls in place, this information has been added to the 'system notes'.
Children Services Capital Programme	Review the arrangements for developing the 2013/14 Schools Capital Programme using condition data and other relevant criteria to determine priority schemes, the monitoring of the 2012/13 Schools Capital programme to ensure schemes are completed on schedule and within budget and arrangements for procuring works.
Town/Borough Hall	Ensure that arrangements for collecting and processing income received in respect of lettings and bar takings. Review insurance; use of resources; procurement and performance management.
Integrated Mental Health Partnership	Ensure adequate arrangements are in place to mitigate partnership risk.
Tees Archaeology	Examine the governance arrangements in place with regards to the partnership, in particular the areas relating to, service level agreement, service plan, performance management, partner contributions and budget monitoring arrangements, risk management and asset management.
Inspirations Coffee Shop	Ensure all income and stock is adequately recorded and is secure.
Employee Gifts and Hospitalitys	Ensure adequate arrangements are in place to record all instances in line with council policy.
Officer Expenses	Review expenses to ensure that all are claimed and paid in line with council policy.
Children Homes	Ensure adequate arrangements are in place for the day to day management of the establishment.
Extra Care Village	Audit objectives are that Extra Care schemes are delivered in accordance with national/local requirements, effective contract monitoring ensures that the full range of user/service outcomes are considered on a regular basis ensuring the delivery of strategic objectives and the Extra Care Service is delivered in a cost effective manner. Payments to providers are accurate and in accordance with Contract terms and conditions.
Public Health Outbreaks	Review the standards and guidance in place with regard to Local Authority involvement in outbreaks and emergencies and verify that HBC has plans and processes in place that are up to date, meet the guidance where applicable and appropriate and are regularly tested.
Resource Link System Controls	Provide assurance that controls are in place to manage application areas and, where possible, that these controls are working appropriately.

Procurement – Quick Quote System.	Provide assurance that the Authority's Quick Quotes process is being utilised across Council departments.
Integra System Controls	Provide assurance that controls are in place to manage application areas and, where possible, that these controls are working appropriately.
Eclipse System Controls	Provide assurance that controls are in place to manage application areas and, where possible, that these controls are working appropriately.
Home Care	Review the arrangements in place for the in-house team for the provision of the internal homecare service as per the 'reablement service' and the commissioned service.
Obesity Management	That the Local Authority fulfils its responsibility for commissioning interventions to tackle obesity within the community.
Rossmere Primary	Ensure school finance and governance arrangements are in line with best practice.
Academies Handover	Provide assurance that the Authorities interests have been safeguarded by ensuring that effective arrangements before, during and after the conversion process means that legal and financial risks have been mitigated effectively.
Car Parking	Ensure that all statutory requirements are met and income received is protected.
Empty Homes	Provide assurance that properties are selected according to consistent criteria and purchased and improved in a manner that ensures that the scheme is financially viable.
Kingsley Primary	Ensure school finance and governance arrangements are in line with best practice.
St Teresas Primary	Ensure school finance and governance arrangements are in line with best practice.
Free School meals	Provide assurance that processes and procedures relating to the awarding FSM are consistent with legislative/regulatory requirements.
Disabled Discrimination Act	The audit focused on access to buildings and services although a review of the Authority's Corporate policies and procedures to ensure compliance with the Equality Act provision relating to disability, will be undertaken.
Jesmond Gardens Primary	Ensure school finance and governance arrangements are in line with best practice.
Rift House Primary	Ensure school finance and governance arrangements are in line with best practice.
St Josephs Primary	Ensure school finance and governance arrangements are in line with best practice.
Direct Payments	Ensure direct payments are made in line with statutory requirements and are accurate and effectively monitored.
Brougham Primary	Ensure school finance and governance arrangements are in line with best practice.
Credit Card Payments	Identify the processes in place for ensuring compliance with the Payment Card Industry Data Security Standard (PCI DSS) and provide assurance that these processes effectively mitigated the risks.
ITU Concessionary Travel	Ensure adequate arrangements are in place to effectively manage the scheme.
Middleton Grange Shopping Centre	Ensure arrangements are in place that results in the Authority receiving what it is due under the contract terms and conditions.

- 3.7 The work completed and currently ongoing is in line with expectations at this time of year, and audit coverage to date has allowed Mazars to place reliance on the scope and quality of work completed when meeting their requirements under the Audit Code of Practice.

#### 4. RECOMMENDATIONS

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

**5. REASON FOR RECOMMENDATIONS**

- 5.1 To ensure that the Audit Committee meets its remit, it is important that it is kept up to date with the ongoing progress of the Internal Audit section in completing its plan.

**6. BACKGROUND PAPERS**

- 6.1 Internal Audit Reports.

**7. CONTACT OFFICER**

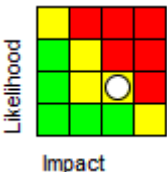

- 7.1 Noel Adamson  
Head of Audit and Governance  
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Email: [noel.adamson@hartlepool.gov.uk](mailto:noel.adamson@hartlepool.gov.uk)







Appendix A

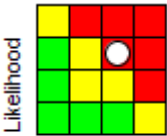
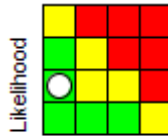
Audit	Objective			Assurance Level
Payroll	Ensure arrangements around legislation & procedures, outsourcing, claim based pay, data security, master data, starters, leavers, variations to pay, data processing and reconciliations to the FMS are adequate.			Reasonable
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified.				


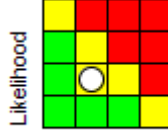
Audit	Objective			Assurance Level
Creditors	Ensure the systems and procedures in place for ordering, receiving and paying for goods/services to ensure that the supplies of goods and services are properly authorised and comply with Financial Procedure Rules.			Reasonable
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
A small sample of supplier accounts amendments were selected for testing to ensure that adequate supporting documentation is in place to support the change. Of the sample, the Change Validation form to support one of the account changes was not provided.		 <p>Likelihood</p> <p>Impact</p>	Review existing arrangements for the retention of supporting documents	 <p>Likelihood</p> <p>Impact</p>

Audit	Objective			Assurance Level
<b>Budgetary Control</b>	Ensure adequate controls are in place in respect of budget setting and monitoring.			<b>Reasonable</b>
<b>Risk Identified</b>		<b>Risk Level prior to action implemented</b>	<b>Action Agreed</b>	<b>Risk Level after action implemented</b>
No unmitigated risk identified.				

Audit	Objective			Assurance Level
<b>Highways Repairs and Maintenance</b>	Ensure adequate arrangements are in place to manage the highways programme and expenditure.			<b>Reasonable</b>
<b>Risk Identified</b>		<b>Risk Level prior to action implemented</b>	<b>Action Agreed</b>	<b>Risk Level after action implemented</b>
No unmitigated risk identified.				



Audit	Objective			Assurance Level
<b>Council Tax</b>	Ensure adequate arrangements are in place to meet all legislative requirements.			<b>Reasonable</b>
<b>Risk Identified</b>		<b>Risk Level prior to action implemented</b>	<b>Action Agreed</b>	<b>Risk Level after action implemented</b>
Ineffective collection may lead to failure to maximise revenue or errors in posting amounts received to the correct accounts.			The credit balance report is looked at each month and this will continue to be done.	











Audit	Objective			Assurance Level
<b>National Non Domestic Rates</b>	The audit is intended to review the controls in place to mitigate identified risk with testing undertaken to ensure that the controls are working effectively.			<b>Reasonable</b>
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
The incorrect liability may be charged resulting in a loss of income for the authority. This area is also susceptible to fraud (internal and external).			Sample inspections will be undertaken on high rateable value properties that are empty and exempt. Sample inspections will also be undertaken on industrial properties that receive a six months exemption within the period of the exemption.	

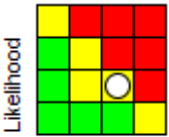
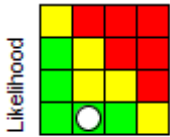

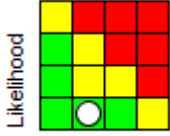
Audit	Objective			Assurance Level
<b>Cash/Bank</b>	Review the procedures and processes in place for security, cash (and other income) collection, banking and reconciliations.			<b>Reasonable</b>
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Loss and/or theft of income may go undetected. Training issues may not be identified.			The Revenues Manager, together with the Senior Cashiers, will devise a better way to monitor the overs & shorts with a view to replacing the book that is currently kept.	



Audit	Objective			Assurance Level
<b>Loans and Investments</b>	Give assurance that loans and investments are properly authorised, controlled and recorded in line with current Contract and Financial Procedure Rules.			<b>Reasonable</b>
<b>Risk Identified</b>		<b>Risk Level prior to action implemented</b>	<b>Action Agreed</b>	<b>Risk Level after action implemented</b>
No unmitigated risk identified.				

Audit	Objective			Assurance Level
<b>Troubled Families</b>	Provide assurance that the January 2014 claim for results based payments is valid and in accordance with the Troubled Families Financial Framework.			<b>Reasonable</b>
<b>Risk Identified</b>		<b>Risk Level prior to action implemented</b>	<b>Action Agreed</b>	<b>Risk Level after action implemented</b>
No unmitigated risk identified.				

Audit	Objective			Assurance Level
<b>Section 17 Payments</b>	Review the arrangements in place within the Youth Offending Service for the administration of Section 17 payments.			<b>No Assurance</b>
<b>Risk Identified</b>		<b>Risk Level prior to action implemented</b>	<b>Action Agreed</b>	<b>Risk Level after action implemented</b>
Payments may be inappropriately made under the Section 17 legislation.		 <p>Likelihood</p> <p>Impact</p>	To define if it is appropriate to name the payments Section 17 or YOS Crisis Payments and check the correct budget code is being used to identify these payments in future.	 <p>Likelihood</p> <p>Impact</p>

Payments may be inappropriately made under the Section 17 legislation.	 <p>Likelihood</p> <p>Impact</p>	The Administration Manager is to provide YOS with Section 17 guidelines of payments currently used by First Contact Support Hub Business Manager. The Performance, Review and Prevention Manager and the Senior Support Officer are to amend the guidelines to be inline with YOS crisis payments.	 <p>Likelihood</p> <p>Impact</p>
Inappropriate payments may be made.	 <p>Likelihood</p> <p>Impact</p>	Senior Support Officer to be trained by Admin Team in Civic Centre to ensure there is a trail of signatures every time cash is handed over to or from Admin/Manager/ Young Person/Caseworker. Once the Senior Support Officer receives training she will train the rest of the team within the Windsor Office. Performance, Review and Prevention Manager is to implement this in all teams within the service.	 <p>Likelihood</p> <p>Impact</p>
Receipts are not returned to validate the payment made. The petty cash process is inappropriately used.	 <p>Likelihood</p> <p>Impact</p>	Purchase cards and purchase orders to be used in future and any car parking reimbursements to be claimed using a subsistence form. Senior Support Officer to arrange with Finance Team to order extra purchase cards for staff, speak to Management in first instance to agree amount of expenditure on each purchase card.	 <p>Likelihood</p> <p>Impact</p>
Inappropriate payments may be made.	 <p>Likelihood</p> <p>Impact</p>	The Senior Support Officer is to use the 'green slip' system that is currently used in Civic Centre Petty Cash for service users who in future will become Appointees of Child & Adult Services Department.	 <p>Likelihood</p> <p>Impact</p>
Inappropriate payments may be made.	 <p>Likelihood</p> <p>Impact</p>	Caseworker/Manager to update Careworks with all S17/purchase cards/YOS Crisis Payments made. This way staff can track the amount of payments made to each young person and how often they are receiving the payments.	 <p>Likelihood</p> <p>Impact</p>

Audit	Objective	Assurance Level		
<b>Nursery Provision</b>	Review the arrangements for paying private nurseries for the provision of a nursery service.			<b>Reasonable</b>
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented	
Nursery providers may not comply with LA requirements.	 <p>Likelihood</p> <p>Impact</p>	2, 3 and 4 year old FNE Officer is to check provider registers during each temply visit to ensure children are in attendance and taking up their free offer.	 <p>Likelihood</p> <p>Impact</p>	
Non compliance with the Childcare Act 2006.	 <p>Likelihood</p> <p>Impact</p>	FISH Manager and 2,3 and 4 year old FNE officer to complete the drafted procedure thus ensuring other team members could undertake the work if necessary.	 <p>Likelihood</p> <p>Impact</p>	

Audit	Objective			Assurance Level
Information Data Management	Review storage of information on user c: drives including removable media devices.			Limited
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Access may be gained by an unauthorised user and sensitive information may be accessed, corrupted or lost which may result in the Authority and/or individual incurring a substantial fine for breaches of the Data Protection Act.			<p>As part of the new contract the whole of the desktop estate is being refreshed this will include the majority of users being put into a VDI environment which has no facility to hold a local copy of any data.</p> <p>Other users will receive either a laptop or a desktop as part of the refresh and all of these devices will be encrypted using Bitlocker encryption. This will prevent unauthorised access to data on the C: drives.</p> <p>The information governance group will also reinforce the rules around not storing content on their C: drives as part of the ongoing information governance training.</p>	

# **AUDIT AND GOVERNANCE COMMITTEE**

**11 July 2014**



**Report of:** Chief Finance Officer

**Subject:** MAZARS REPORT- AUDIT PROGRESS  
REPORT 14/15

## **1. PURPOSE OF REPORT**

- 1.1 To inform Members of the Audit and Governance Committee that arrangements have been made for representatives from Mazars to be in attendance at this meeting, to present the content of the Audit Progress Report.

## **2. BACKGROUND**

- 2.1 This report updates the Audit and Governance Committee on Mazars progress in meeting their responsibilities as the Councils external auditor. It also highlights key emerging issues and national reports which may be of interest to the Audit and Governance Committee.

## **3. PROPOSALS**

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

## **4. RECOMMENDATIONS**

- 4.1 That the Audit and Governance Committee:
- i. Note the report of Mazars.

## **5. REASON FOR RECOMMENDATIONS**

- 5.1 To ensure the Audit and Governance Committee is kept up to date with the work of our External Auditor.



**6. BACKGROUND PAPERS**

- 6.1 Code of Audit Practice 2010.

**7. CONTACT OFFICER**

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# Hartlepool Borough Council

## Audit Progress Report

July 2014

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*Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to Members or employees of Hartlepool Borough Council are prepared for the sole use of the Council. We take no responsibility to any Member or employee in their individual capacity or to any third party.*

*Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.*

# 01 Introduction

The purpose of this report is to update the Audit and Governance Committee on progress in delivering our responsibilities as your external auditors.

We have also highlighted key emerging national issues and developments which may be of interest to Committee Members.

If you require any additional information, please contact us using the contact details at the end of this update.

Finally, please note our website address ([www.mazars.co.uk](http://www.mazars.co.uk)) which sets out the range of work Mazars carries out, both within the UK and abroad. It also details the existing work Mazars does in the public sector.

# 02 2013/14 audit progress

Since our last Audit Progress Report we have:

- reviewed the annual fraud and corruption survey the Council has submitted to the regulator (the Audit Commission) for reasonableness;
- submitted the annual 'financial resilience' survey to the Audit Commission;
- continued work on our Value for Money (VfM) conclusion; and
- begun the planning of the detailed audit of the financial statements which starts in July.

## Update to our Audit Strategy Memorandum 2013/14: Value for Money conclusion - significant risk in respect of the financial resilience criterion

We are required to reach a conclusion on your arrangements to secure economy, efficiency and effectiveness in the use of resources. Our conclusion on your arrangements is based on two criteria specified by the Audit Commission:

- securing financial resilience – focusing on whether you are managing your financial risks to secure a stable financial position for the foreseeable future; and
- challenging how you secure economy, efficiency and effectiveness – focusing on whether you are prioritising resources within tighter budgets and the need to improve productivity and efficiency.

In our Audit Strategy Memorandum (presented to the March Audit and Governance Committee), we set out how we would reach our conclusion. In our report we informed you we would focus our work on the robustness of the annual update of the Council's Medium-Term Financial Strategy and continued budget management.

We have updated our risk assessment and are now highlighting a significant risk in respect of the financial resilience criterion. Descriptions of the audit risk and our intended procedures are set out in the table below. This is as a result of clarification of our audit approach as opposed to any changes in the operation of controls or the internal control environment at the Council itself, therefore should be taken in that context.

### Description of risk to the Value for Money conclusion

#### Description of the risk

The Council is facing a reduction in resources due to the current economic climate and funding reductions. As a result, the Council is forecasting savings required of £14.827 million over the next two years (2015/16 – 2016/17) in order to achieve a balanced budget.

The Council has a track-record of achieving savings against the backdrop of a difficult economic climate and is making good progress in identifying how the 2015/16 savings of £6.030 million can be achieved. The value of savings required however is significant. The Council itself has reflected this in its latest Annual Governance Statement as a 'significant governance issue'.

### Description of risk to the Value for Money conclusion

Therefore we are highlighting a significant risk to the financial resilience criterion in light of the planned savings the Council needs to achieve over the period of its Medium-Term Financial Strategy in order to achieve a balanced budget.

### How we will address this risk

We will carry out the following work:

- review of the Medium-Term Financial Strategy;
- review of on-going budget monitoring reports and other finance updates; and
- review of the progress in identifying savings required.

### Next steps

Our work in the next period includes the following:

- completing work to support our VfM conclusion; and
- carrying out the detailed work on the financial statements (July – September); and
- detailed testing of housing benefit cases for the benefit subsidy return (starting in September).

We will continue to have regular meetings with senior officers and will read and consider committee papers.

# 04 National publications and other updates

This section contains updates covering the following:

- **National Fraud Initiative national report, Audit Commission;**
- **Value for money profiles update, Audit Commission;**
- **Role of the National Audit Office (NAO) in local audit, NAO;**
- **Proposed closure of the Audit Commission and transfer of its functions – summary;**
- **Introductory guide to Local Government Finance, CIPFA; and**
- **Oversight of audit quality – quarterly Audit Commission report.**

## **National Fraud Initiative national report, Audit Commission, June 2014**

The Audit Commission has published its National Fraud Initiative (NFI) annual report recently.

The NFI is a data matching exercise which compares information held by and between around 1,300 organisations including councils, the police, hospitals and almost 100 private companies. This helps to identify potentially fraudulent claims, errors and overpayments, all hosted on a secure website. When there is a match, there may be something that warrants investigation. For example, when data matching shows a person listed as deceased and also in receipt of a pension, the relevant body will investigate and if appropriate, stop pension payments.

The report is supported by case studies of successful outcomes both in the private sector and public sector.

**The Head of Internal Audit and Governance will be bringing this report to the Committee for information and any action to be considered.**

<http://www.audit-commission.gov.uk/national-fraud-initiative/nfi-reports/>

## **Latest information on Value for Money (VFM) profiles, Audit Commission May-June 2014**

We have previously highlighted in our Audit Progress Reports a number of reports produced by the Audit Commission which draw attention to aspects of the profiles. In recent months, the Commission has produced further reports in relation to using the profiles to examine:

- benefits administration;
- central costs;
- waste management and
- the use of assets.

Arrangements have been made to continue the VFM profiles tool after the Commission closes in March 2015. Responsibility for the VFM profiles tool will transfer to the transitional body to be created by the Local Government Association (see next section in this update).

**We have discussed the update of the profiles for 2013/14 with senior officers as part of our VFM conclusion work.**

The VFM profiles tool can be used by officers, members and the public to consider data on the cost, performance and activities of authorities and is available at the following web address:

[http://profiles.audit-commission.gov.uk/layouts/acwebparts/NativeViewer.aspx?Report=/Profiles/VFM\\_Landing](http://profiles.audit-commission.gov.uk/layouts/acwebparts/NativeViewer.aspx?Report=/Profiles/VFM_Landing)

The reports on specific topic areas using the VFM profiles are available at the following link:

<http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/>

### **The National Audit Office's role in local audit, NAO, May 2014**

The National Audit Office (NAO) has published a paper outlining its new role in local audit under the Local Audit and Accountability Act 2014. This includes:

- preparing the Code of Audit Practice; and
- Value for Money studies.

<http://www.nao.org.uk/report/the-naos-role-in-local-audit/>

### **Proposed closure of the Audit Commission and the transfer of its functions, 2014**

We have included a summary below of the latest in respect of the closure of the Audit Commission (expected at the end of March 2015) and the bodies to which its functions will be transferred.

#### ***Audit contracts – LGA body to be set-up***

Transitional arrangements are needed to oversee the remaining life of audit contracts that have been let by the Commission. These contracts run to the end of the 2016/17 audit year, but there is an option to extend them by 3 years to the 2019/20 audit year. These functions are to transfer to an independent, private company established by the Local Government Association (LGA). The functions will include appointing auditors, regulating the work auditors do, setting the annual scale of audit fees and ensuring the quality of auditors work. **It is envisaged that at the end of these contracts, authorities will be free to appoint their own auditors and other regulatory arrangements will be put in place.**

<http://www.audit-commission.gov.uk/2014/03/dclg-opts-for-the-local-government-association-to-manage-the-audit-commissions-85-million-audit-contracts-when-it-closes/>

#### ***Counter fraud functions - CIPFA***

The Commission's counter fraud functions, including its annual survey on fraud, fraud briefings and annual report on detected fraud, are to be transferred to the Chartered Institute of Public Finance and Accountancy (CIPFA), who are to establish a new public sector counter fraud centre.

<http://www.audit-commission.gov.uk/2014/03/commissions-national-counter-fraud-function-will-go-to-safe-hands/>

#### ***National fraud initiative (NFI) – Cabinet Office***

The NFI data-matching services are due to transfer to the Cabinet Office when the Commission closes.

### **An introductory guidance to Local Government Finance, CIPFA, May 2014**

The public sector accountancy body, CIPFA, has recently released its latest update of its easy-to-read guide to local government finance. The guide covers revenue and capital financing, accounting, governance and



auditing as well as giving an overview of some of the key services provided by local councils. The link below includes a sample which can be downloaded.

<http://www.cipfa.org/policy-and-guidance/publications/a/an-introductory-guide-to-local-government-finance-2014-edition-online>

### **Oversight of audit quality, quarterly reports, Audit Commission, quarterly**

Our regulator, the Audit Commission, also publishes quarterly and annual reports on the quality of the work it has outsourced to the firms. There are no significant issues highlighted in respect of Mazars LLP.

We have also recently received our draft annual report on quality from the Audit Commission; this demonstrates our overall good performance in respect of quality and other standards.

<http://www.audit-commission.gov.uk/audit-regime/audit-quality-review-programme/>

# 05 Contact details

Please let us know if you would like further information on any items in this report.

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